Employee Benefits Report

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Is Your Health Plan Ready for 2017?

Affordable Care Act compliance, along with benefits cost management and employee wellness programs, are emerging as the top issues affecting small business health plans.

As 2017 approaches, small businesses should reevaluate their employee health insurance needs and what they need to do to comply with new health insurance laws.

Although businesses with fewer than 50 full-time equivalent employees do not have to provide health insurance for their employees, they must comply with the ACA's reporting requirements. All businesses with employees must:

- Withhold and report an additional 0.9 percent on employee wages or compensation that exceed $200,000.
- Report the value of health insurance coverage you provided to each employee on his or her Form W-2.

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Many Employers Outsourcing Employee Benefits

At a time when management of employee benefit programs has become increasingly complex, a new survey of financial executives found many are seeking outside help with their programs.

The Prudential Group Insurance report, "A Rising Interest in Outsourcing Benefits Administration," details how the complexity of compliance with the Affordable Care Act and the Americans with Disabilities Act has prompted employers to look to outsource some or all of their companies' benefits administration and reporting requirements.

Of those surveyed, 46 percent were outsourcing or looking to

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- File an annual return reporting certain information for each employee covered under a self-insured health plan.

In an effort to help small businesses comply with the Affordable Care Act, a new study by HUB International explored ACA compliance, along with benefits cost management and employee wellness, by surveying over 400 senior-level human resources and finance executives at companies with 50 to 1,000 employees.

"HR leaders are operating in an era of unprecedented disruption brought on by ACA, rising health care costs and the increasing demands of a multi-generational workforce," wrote the authors of the HUB International report titled, "Employee Benefits Barometer: SMB Perspectives and Priorities in an Era of Disruption."

Era of Disruption

The survey found nearly two in three business owners employing between 50 and 99 people are concerned about remaining in compliance with the ACA regulations. Other findings included:

- 69 percent of employers plan to change their benefit plan structure and/or operations to avoid ACA reporting fines and penalties.
- 61 percent expect IRS fines for ACA reporting to be negligible to their bottom line in 2016.
- 60 percent believe ACA reporting is primarily an HR issue.
- 64 percent have optimized design and operations strategies to eliminate the fines/penalties, but will struggle to stay in business.
- 54 percent say ACA reporting is primarily a finance issue.

As this survey shows, employers perceive themselves to be on top of ACA reporting issues, but nearly two-thirds say that their businesses will struggle to stay afloat despite efforts to optimize plan designs and operations—an indication that employers are exhausted by ACA compliance, the authors of the HUB International report wrote.

"Due to the potential audit implications of ACA reporting, organizations need to be able to defend and manage the decisions they made and reported on," the authors noted.

In the survey, employers did not rate ACA reporting as their top concern, but because the survey took place prior to completing year-one reporting deadlines, "it may be an indication that employers don't know where they are most vulnerable," the authors wrote.

"Most responders ranked cost management and health and performance issues as bigger priorities over ACA reporting," the authors wrote. "This may be an indication that employers have under-estimated the complexity of ACA reporting.

"Just over half of HR leaders (57 percent) cited accuracy in calculating and reporting the affordability of benefits as their top concern for ACA compliance. While 55 percent of mid-sized and 56 percent of the largest middle market companies ranked this as their top concern, it was especially an issue among the smallest players (66 percent). Close behind, at 53 percent, were concerns over how employee subsidy eligibility and employer liability are tracked and reported."

outsource reporting and other regulatory requirements of the ACA, 40 percent for ADA directives and 39 percent for Family and Medical Leave Act mandates. Nearly 80 percent of the 180 companies surveyed had revenues of more than $1 billion annually.

"The escalating regulatory burden placed on benefits programs makes them increasingly complex to administer," Jake Biscoglio, vice president for absence management and disability at Prudential, said in a statement. "Employers are finding it easier and cheaper to outsource, rather than build and maintain the expertise in-house."

While financial executives are wary of the costs of benefits programs, the survey found 65 percent of executives believe employee benefits are critical to attracting and retaining employees.

Wellness and Productivity Are Top Priorities

Meanwhile, the survey also found that employee wellness and productivity are top priorities, and two-thirds of respondents are seeing a return on investments in their programs, specifically in improved employee productivity and morale. When asked to identify their top benefits priorities, HR respondents ranked improving employee wellness and productivity (83 percent) and managing benefit costs (76 percent) as top priorities.

The report found that employers who are implementing wellness programs are reporting improvements in employee productivity and morale.

"Middle market employers are starting to

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put more effort in longer term benefits initiatives that support the connection between healthy employees and business performance," the authors wrote. "These programs are the cornerstone of a long-term benefit strategy that supports a healthier and more engaged workforce.

"There's a reason health and performance initiatives have gained traction among middle market benefits decision-makers. These strategies are delivering a return on investment, according to 66 percent of respondents. How has it been evidenced? More than a third of respondents cite improved productivity (35 percent) and morale (34 percent). This is especially true among the larger firms, at 40 percent and 38 percent respectively."

Employers are reaping the benefits of their cost-cutting initiatives, but there appears to be many missed opportunities to deploy proven cost management strategies, the authors wrote.

"Are their efforts paying off? Sixty-five percent agree that they are doing all they can to contain rising benefit costs," the authors wrote. "Seventy percent note that their strategies are successfully reining in costs. In fact, a significant percentage of the HR respondents indicated they have revamped their plan designs to reduce costs. Leading that change, 51 percent have implemented voluntary benefits for the first time as part of their cost savings strategy."

For more information on complying with the Affordable Care Act, controlling your costs or adding voluntary benefits to your organization's offerings, please contact us.

Wellness Programs Work… If Employees Participate

Getting employees to participate is the key to making wellness programs effective. Read on for some suggestions.

While employee wellness programs help reduce health costs, improve productivity and reduce sick days, a new report by the Dallas-based company HealthMine found many employees don't participate or engage in these programs.

Of employees surveyed, 62 percent say wellness programs help lower their healthcare costs, 38 percent say the programs helped them take fewer sick days and 33 percent say the programs helped them be more productive at work.

Yet, only 35 percent of consumers report engaging in their wellness programs at least once per week and 25 percent of consumers engage in their programs just two times per year or less.

"Despite $8 billion invested annually by U.S. health plan sponsors in wellness programs that promise health improvements for participants, participation rates in wellness programs are low and plan sponsors struggle to engage members," authors of the report wrote.

The report found 44 percent of consumers in wellness programs report being diagnosed with chronic health conditions, but only 14 percent say their wellness program helps them manage the disease. Nearly half of all adults in the United States have one or more chronic health conditions. These conditions are responsible for seven out of every 10 deaths and account for 86 percent of health care spending.

"Our survey shows that wellness programs are still heavily focused on lifestyle management rather than disease prevention and manage-

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ment," the authors wrote.

Most large employers that offer health benefits today also offer wellness programs. About three in 10 large employers use incentives to encourage employees to participate.

The HealthMine survey found a large gap between the intent of wellness programs and the care delivered.

The most common wellness programs offered today, according to participants, are fitness subsidies or challenges (54 percent), nutrition/healthy eating (54 percent), onsite events (23 percent), financial wellbeing (16 percent) and medication adherence (16 percent). "While most participants report that their program includes health risk assessments, fitness subsidies and healthy eating plans, far fewer say their programs offers disease management or medication adherence plans," the authors wrote.

Cancer is the No. 2 cause of death in the U.S., and is projected to become the leading cause of death over the next 15 years.

Despite this, cancer screenings are absent from 74 percent of wellness programs, participants reported. Also, 80 percent of wellness program members say they don't get incentives to complete cancer screenings.

Health plan sponsors have an opportunity to be an early detection system for their members. In fact, new research shows cancer may be preventable by implementing changes in health behaviors. Most respondents say wellness programs do not include cancer screenings for the most prevalent forms of cancer:

- 84 percent don't include prostate cancer screenings.
- 84 percent don't include skin cancer screenings.
- 81 percent don't include breast cancer screenings.
- 81 percent don't include colon cancer screenings.

"By offering a cancer screening incentive in their wellness programs, plan sponsors can play a more proactive role in early detection, which can save lives and reduce the emotional and financial burden of the disease," the authors wrote.

Two thirds of consumers say their wellness programs don't medically test for smoking. Further, 57 percent of wellness programs do not include smoking cessation, according to those surveyed, although 32 percent of survey respondents admitted to smoking within the last two years. "Employers may be missing an opportunity to eliminate one of the costliest health risks in their population," the authors wrote.

Engagement in employee wellness programs is a two-way street, and to make measureable improvements in health outcomes, employers must be actively helping wellness program members manage their health, the authors wrote.

"However, less than half of program participants report that their program sends them specific health actions to take at least once a week," the authors wrote. "Incentives play an important role in behavior change, and 68 percent of respondents say that more motivating incentives would help them engage more in their wellness program. "

For a review and evaluation of your wellness program, or for assistance in starting one, please contact us.

Consistency Creates Big 401(k) Nest Eggs

A new study looked at 401(k) account balances of workers from 2010 to 2014. Participants who consistently contributed had balances almost twice the average account balance of other plan participants.

The study by the Employee Benefits Research Institute and the Investment Company Institute found the average 401(k) plan account balance for consistent participants increased at a compound annual average growth rate of 17.3 percent to $138,553 by the end of 2014. The median (mid-point) 401(k) plan account balance for consistent participants increased at a compound annual average growth rate of 19.7 percent to $56,653 by the end of 2014. That's more than three times the median balance across all participants at the end of that year.

"Looking at average balances for all 401(k) accounts does not reflect the system's full potential for workers building their retirement resources," Sarah Holden, the Investment Company Institute's senior director of retirement and investor research, said in a statement. "By studying the experience of workers who partici-

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pate consistently across several years, this study shows more accurately the extent to which steady, paycheck-by-paycheck saving and compounding investment returns can help workers accumulate a sizable retirement nest egg.”

The study, titled “What Does Consistent Participation in 401(k) Plans Generate? Changes in 401(k) Account Balances, 2010–2014,” examined the 401(k) accounts of nearly 9 million “consistent participants”—those who remained active in the same 401(k) plan for the four-year period. The study found that the average account balances increased during this period for consistent participants in all age cohorts. The growth reflects contributions of employers and workers, in addition to investment returns, withdrawals, and loans.

“The extensive EBRI/ICI database provides us with an unparalleled opportunity to analyze how American workers saving in 401(k)s over time are faring,” Jack VanDerhei, EBRI’s director of research, said in a statement. “The analysis used in this report controls for the impact of job changes as well as new entrants into the 401(k) system (with relatively small balances) replacing those exiting the system after years of participation.”

The study found that younger participants or those with smaller year-end 2010 balances, experienced higher percent growth in their account balances compared with older participants or those with larger year-end 2010 balances.

“Three primary factors affect account balances, contributions, withdrawal and loan activity, and investment returns,” the authors wrote. “The percent change in average account balance of participants in their 20s was heavily influenced by the relative size of their contributions to their account balances and increased at a compound average growth rate of 44.1 percent per year between year-end 2010 and year-end 2014.”

The asset allocation of the 8.8 million 401(k) plan participants in the consistent group was broadly similar to the asset allocation of the 24.9 million participants in the entire year-end 2014 EBRI/ICI 401(k) database. On average at the end of 2014, about two-thirds of the 401(k) participants’ assets were invested in equities, either through equity funds, the equity portion of target-date funds, the equity portion of non-target-date balanced funds, or company stock. Younger 401(k) participants tended to have higher concentrations in equities than older 401(k) participants.

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Voluntary Benefits Help Reduce Financial Stress

Employers are increasingly offering voluntary benefits as a way to improve financial well-being, new research found.

According to the 2016 Xerox HR Services Financial Well-being & Voluntary Benefits Survey, two-thirds of companies are integrating more voluntary benefits to supplement their core benefits package to promote financial wellbeing and reduce stress among their workers.

Xerox research has found that more than a third of global companies rate their organizational stress levels as “high or very high,” and 87 percent see employee performance as the most important reason to address work-related stress and poor mental wellbeing.

“Our study shows 78 percent of employers view voluntary benefits as being extremely effective or very effective in supporting employee financial wellbeing, giving them peace of mind and a roadmap to financial control,” Tom Kelly, a principal at Xerox HR Services and co-author of the study, said in a statement.

Traditionally, voluntary benefits have been non-core offerings that are paid partially or entirely by workers. Employers are now including these voluntary benefits as part of their core offerings provided during open enrollment periods. The most common examples include critical illness insurance, accident insurance and hospital indemnity coverage.

The recent online survey of more than 500 benefit decision-makers from large employers (more than 1,000 employees) found that 55 percent of companies are either working on implementing financial wellbeing strategies or plan to within the next three years, while 38 percent have a program already in place. The most popular strategies include financial health assessments, workshops, education materials and retirement planning calculators.

The main objective in integrating voluntary benefits with core benefits is to address the financial stress that many workers experience, which can ultimately lead to health issues and higher benefit costs. Other cited reasons include:

- Reducing absences.
- Increasing productivity and/or reducing workers’ compensation claims.
- Attracting and retaining talent.
- Providing awareness and education about the need for financial protection.