Employee Benefits Report

HEALEY & ASSOCIATES
progressive ingenuity. financial security.

10 Free Street, PO Box 599
Portland, Maine, 04112-0599
T: 207.775.6177 | F: 207.775.5688

232 Center St. Suite D, PO Box 3160
Auburn, Maine, 04212-3160
T: 207.784.1535 | F: 207.777.5208

www.healeyassociates.com

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Can Financial Education Improve Productivity?

If you're considering wellness programs to improve employee health and productivity, don't overlook the importance of financial health!

According to an American Psychological Association (APA) poll released recently, the majority of Americans feel financial stress. Among people surveyed in August 2014, 72 percent said they had felt some financial stress during the past month. Twenty-two percent of respondents rated their level of financial stress as extreme, or rated 8, 9 or 10 on a 10-point scale.

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This Just In…

In early March, the Supreme Court will rule on ***King v. Burwell.*** The court will decide whether subsidies under the Patient Protection and Affordable Care Act are allowable or not.

The challenge surrounds the statutory interpretation of the language that created the subsidies. The clause states that qualifying individuals will be able to receive subsidies when buying health insurance coverage in "an exchange established by a state." Opponents argue this would exclude people from receiving subsidies when buying coverage on the federally established exchanges. Thirty-four states have opted not to set up their own exchanges and are using federally established exchanges. If this argument is successful, subsidies will

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Why should employers care? The APA reports that, "Stress about money and finances appears to have a significant impact on many Americans' lives." Many studies have shown a link between increased levels of stress and increased incidence of certain diseases and health problems.

Financial stress can also have a more direct link to your employees' productivity. As the APA said, "Some [employees] are putting their health care needs on hold because of financial concerns. Nearly 1 in 5 Americans say that they have either considered skipping (9 percent) or skipped (12 percent) going to the doctor when they needed health care because of financial concerns. Stress about money also impacts relationships: Almost a third of adults with partners (31 percent) report that money is a major source of conflict in their relationship."

How can you help your employees achieve financial wellness? The Consumer Finance Protection Bureau defines the four elements of financial well-being as:

	Present	Future
Security	Control over day-to-day, month-to-month finances	Capacity to absorb financial shock
Freedom of choice	Financial freedom to make choices to enjoy life	On track to meet financial goals

People can experience financial wellness—or lack thereof—regardless of their income. If your employees are experiencing significant financial stress, a program of education can help.

Financial practitioners can help employees achieve financial wellness by identifying situations when employees need financial information. They can also help employees explore how to get trustworthy information.

Components of a financial wellness program could include:

1 Teaching people to live within their means.

- This means practicing contentment and cutting mindless spending.
- Staying out of debt and using credit sensibly when needed.
- Acting like an entrepreneur in generating income and avoiding interruptions in paid work.

2 Focus on the future.

- Help employees identify specific, realistic goals.
- Assist them to make step-by-step plans to reach financial goals.
- Help individuals feel confident to make a difference in their own lives.

3 Set employees up for success.

- Help employees determine the steps they need to put decisions into action.
- Determine how to motivate them to take action.
- Encourage employees to take advantage of existing ways—from auto-pay to peer support—to simplify staying on track.

Employers interested in providing financial education for their employees have several options. Some wellness programs can refer your employees to financial planners or consultants who specialize in helping individuals and families get out of debt. Other employers opt to offer a comprehensive online education counseling and education program. Regardless of what type of service you offer, make sure you publicize it well to get the most out of your wellness invest.

For more information, please contact us.

become illegal in those states. This could lead to the collapse of the health insurance exchanges in those states.

In a properly working health insurance system, both high- and low-risk individuals buy coverage. Lower-risk individuals subsidize costs for high-risk ones, making coverage more affordable. If only high-risk individuals buy coverage, an insurance "death spiral" occurs. When only high-risk individuals buy coverage, claim costs skyrocket. Premiums must increase to cover increased costs, making coverage even more expensive. Soon, only the unhealthiest people—those most likely to incur claims—will buy coverage.

We'll keep you posted on this and other significant developments in the Affordable Care Act.

It's a Wrap?

In December 2014, the U.S. Departments of Labor, Health and Human Services and Treasury issued proposed rules that would allow employers to offer limited "wraparound" plans. This would give employees access to high-level benefits, even if they would lack generous employer-based benefits otherwise.

The rule proposes two pilot programs for wraparound coverage. One pilot would allow wraparound benefits only for multi-state plans in the health insurance marketplace. The other would allow wraparound benefits for part-time workers who could otherwise qualify for a flexible savings arrangement who enroll in an individual market plan.

Why Are These Pilot Programs Necessary?

Many health regulations, including HIPAA (the Health Insurance Portability and Accountability Act), Mental Health Parity Act and the Affordable Care Act (ACA) apply to most group health insurance plans. While intended to protect participants' rights, these regulations impose additional burdens on plan sponsors and others.

All these laws exempt certain types of health benefits. "Excepted benefits" typically fall into one of the following categories: 1) they are not considered health coverage—such as vision, dental or long-term care plans; 2) they are offered separately or are not an integral part of the primary health plan; or 3) they are not coordinated with benefits under another group health plan. Excepted benefits

can include limited-scope vision and dental plans, employee assistance programs (EAPs), long-term care insurance and certain indemnity-type medical plans that cover specified diseases and provide benefits according to a schedule.

Some employers have asked whether certain limited benefits that "wrap around" a part-time or retired employee's primary health plan could qualify as an excepted benefit. This would allow employers to offer health benefits without running into the Affordable Care Act's affordability standards. These require a health plan offered to employees to provide certain minimum essential benefits and be "affordable." Even for employers that do offer coverage to part-timers*, the employee contribution might be too high to be considered affordable under the law. This could lead to penalties on the employer for violating the ACA.

***Many employers do not pay the cost of health insurance premiums for part-timers. The Affordable Care Act requires employers subject to the law to cover only full-time employees, currently defined as those who work an average of 30 or more hours per week. And no law requires employers to pay the cost of health insurance for retirees.**

For employers, having wraparound plans designated as an "excepted benefit" means they will not have to worry that their part-timers and retirees can't afford their group medical coverage. The ACA's affordability standard applies only to group health plans,

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so employers wouldn't be subject to possible fines. With a wraparound plan, their employees can get basic bronze-level individual coverage in the health insurance exchange and still enjoy robust benefits thanks to the wraparound. They can even get subsidies for their coverage, if they qualify.

Making wraparound plans available would create a win-win situation. Part-time employees and early retirees who do not qualify for Medicare could buy their primary health coverage through the health insurance marketplace. If their income qualifies, they could obtain subsidies. The wraparound plan would then offer additional benefits to bring their coverage closer to the level of coverage that full-time employees receive under the employer group plan.

What Type of Benefits Would a Wraparound Plan Offer?

To be eligible for consideration, a wraparound plan must offer "meaningful benefits beyond coverage of cost sharing." That could include:

- Expanded network of providers
- Benefits not covered by the individual health plan and not included on the list of "essential health benefits" that ACA-compliant plans must cover.

A wraparound plan cannot discriminate in favor of highly compensated employees. It also cannot impose any pre-existing condition exclusions. And it must not wrap around a grandfathered plan, or plan that provides only excepted benefits. Employees who have a wraparound plan would not be eligible to participate in an excepted health flexible sharing account (FSA).

Wraparound coverage offers potential for smaller employers and employers with part-time workers. We will keep you informed as this option becomes fleshed out. Please call us if you have any questions in the meantime. ■

Can Financial Education Improve Productivity?

If you're considering wellness programs to improve employee health and productivity, don't overlook the importance of financial health!

Summer poses particular dangers for teens and children. The National Safety Council says, "The 100 deadliest days for teen drivers stretch from Memorial Day to Labor Day," with July 4 the single deadliest day for teen drivers. Drowning, the second-highest cause of accidental death among children, also occurs much more frequently during summer. However, all populations have a higher risk of auto accident, drowning and other accidental injuries during summer months.

Injury accidents can result in steep medical bills for anyone. Did you know that the average emergency room visit costs more—40 percent more—than the average month's rent? Yet many individuals, particularly younger, working-class people, don't have money saved for this type of emergency.

Among working people, accidents can also cause lost work time. Between 2004 and 2007, employed persons suffered an average of 15.7 million injuries per year. Half of these injuries resulted in time lost from work: 8 percent resulted in less than one day of time lost, 26 percent resulted in one to five lost days, and 16 percent resulted in more than six days lost. If an employee has an injury accident during the course of work, workers' compensation will cover his or her medical and lost-time costs. But if it occurs elsewhere, any costs will come out of their pocket. That's where accident insurance can help.

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The Different Types of Accident Insurance

Accident insurance pays insureds when a covered accident causes injury or loss of use of a limb or a key sense. If an illness were to cause any of these serious consequences, a person would generally have some warning and time to prepare, both emotionally and financially. But when an accident occurs, it's sudden and unexpected, making the loss all the more traumatic.

Accident insurance differs from medical insurance in that it pays benefits directly to policyholders. Policyholders can use benefits to pay deductibles, copayments and other costs not covered by major medical plans. Two basic types of insurance will cover financial losses due to non-occupational accidents. Each covers different loss scenarios. Exact terms of coverage and exclusions vary by insurer and policy, but a brief overview follows.

Accidental Death & Dismemberment Insurance (AD&D): AD&D pays a benefit when an insured dies or loses use of a limb or key sense due to an accidental cause. AD&D policies pay a flat death benefit, for example, $250,000 or $500,000. They will also pay a portion of the death benefit if a covered accident causes loss of a limb or key sense, according to a schedule that depends on relative severity of the loss. For example, the policy might pay half the death benefit for loss of an eye or vision in one eye, but full benefits for loss of vision in both eyes.

Insurers offer standalone AD&D policies, but often individuals will buy AD&D coverage through a rider, or addition, to their life insurance policies. A life insurance policy with an AD&D rider will pay a "double indemnity," or two times the death benefit, if the policyholder dies due to a covered accident.

Accident Indemnity Insurance: You might find this type of coverage under a different name, such as "personal accident insurance" or simply "accident insurance." Like an AD&D policy, accidental indemnity insurance covers the insured for accidental injury. And like an AD&D policy, it pays benefits according to a schedule. Although this type of policy frequently does not provide a death benefit, it covers a broader range of events, paying a scheduled benefit for many types of accidental injuries, such as fractures, burns and dislocations.

Many policies also pay a specific benefit when an insured incurs medical expenses to treat accidental injuries. They typically pay a flat amount per accident or per incident, such as $100 per ambulance service, $150 per emergency room visit and $1,000 per hospitalization, when an insured person requires these services due to an accidental injury.

Limitations and Advantages of Accident Coverage

Both types of accident coverage strictly limit benefits to death or injuries stemming from accidental causes only. They specifically exclude claims for death, dismemberment or injury due to sickness. They usually also exclude accidental injury or death resulting from the medical or surgical treatment of a sickness, cosmetic surgery or dental treatments, and "uninsurable" events, such as war and nuclear event.

In many cases, a time period also applies. That is, death or injury must occur within a specified time period after a covered accident for the policy to pay.

As with most insurance, accident insurance excludes claims for self-inflicted injuries or suicide and claims that occur while using illegal drugs, while intoxicated or while engaged in illegal activities. Accident insurance or AD&D premiums might rise over time.

Accident insurance and AD&D have several features that make them excellent supplements to your medical plan:

- They have no deductibles or copayments.
- Insureds can use whatever providers they want.
- They pay regardless of any other coverage that might exist.
- They pay benefits directly to insureds, who can use them however they choose.

Although they cannot replace a major medical policy, accident insurance and AD&D provide low-cost peace of mind. Premiums vary by the insured's location and age and the coverage terms selected. You might find this insurance surprisingly affordable. Particularly on the group market, you can find coverage for less than $200 per insured per year. Employers can also offer accident insurance or AD&D as a voluntary benefit, giving employees the advantages of lower group rates and convenient payroll deduction payment.

For more information, please contact us.

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The Affordable Care Act and Expatriate Health Plans

The Departments of Labor, Health and Human Services (HHS), and the Treasury oversee implementation of the Affordable Care Act. Although they have issued some FAQs on how the law will affect expatriate health plans, they have remained largely silent.

So, what do we know at this point?

The Departments note that "coverage provided under an expatriate group health plan is a form of minimum essential coverage under section 5000A of the Internal Revenue Code." Expatriate plans must therefore comply with the minimum essential coverage requirements. This means they must provide "minimum value," as defined by the ACA, and be affordable to employees. A "minimum value" plan pays for at least 60 percent of the medical expenses for an "average" person.

However, the Departments recognize that expatriate health plans may face special challenges in complying with certain provisions of the Affordable Care Act. In particular, challenges in reconciling and coordinating the multiple regulatory regimes that apply to expatriate health plans might make it impossible or impracticable to comply with all the relevant rules at least in the near term.

The Expatriate Health Coverage Clarification Act of 2014 would modify the Patient Protection and Affordable Care Act to exempt expatriate health plans from the ACA's requirements. It would exempt the plans themselves, employers acting as sponsors of such plans, and health insurance issuers providing coverage under such plans. It would also protect expatriates themselves by deeming expatriate health coverage to be minimum essential coverage for purposes of meeting the individual responsibility requirements of the Internal Revenue Code. The law passed the House but has failed to make significant progress in the Senate to date.

If your firm has expatriate employees, please contact us for more information on their special health coverage needs. ■

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