Employee Benefits Report

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A Simple Way for Small Employers to Assist Employees With Buying Health Insurance

Are you having difficulty finding a good, affordable health care benefit plan for your small business? If so, have you considered using a QSEHRA as an alternative?

Congress created the QSEHRA, or Qualified Small Employer Health Reimbursement Arrangement, in 2016 as part of the 21st Century Cures Act. A QSEHRA allows small employers, including nonprofits, to set aside a fixed amount of money each month for employees to purchase their own individual health insurance. Employees choose plans that work best for them and also have

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Health Premiums Up; Health Benefits Down

If it seems as if you're paying a lot more for your employees' health insurance, you're not wrong.

A Kaiser Family Foundation report reveals annual premiums for employer-sponsored family health coverage reached almost $20,000 in 2018, with workers on average paying $5,547 each and employers paying $14,100 per employee.

This is up five percent from last year and up 65 percent from a decade ago. While that might not sound like much, annual premium growth has outpaced workers' raises.

To keep premiums lower, employers have opted for higher deductible plans. The average

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the option to use the funds on documented medical expenses.

A QSEHRA is basically a Health Reimbursement Arrangement (HRA) employees can use for individual premiums. This type of arrangement was prohibited by the Affordable Care Act, but Congress reversed that regulation with the Cures Act.

Best of all, with QSEHRA, employers can make reimbursements to employees without incurring payroll taxes, and employees don't have to recognize income tax. In addition, reimbursements made by the employer count as a tax deduction.

Another advantage of a QSEHRA is it allows employers to choose how much money they want to deposit in employees' accounts, which eliminates the burden of skyrocketing annual premium rate increases. Kiplinger, a business forecast publisher, predicts that employer health coverage costs will rise five percent in 2019. That would be the sixth consecutive year employers have seen a five percent increase. With a QSEHRA, the employer determines what they are able to afford for health benefits each year up to the maximum amount set by the Internal Revenue Service (IRS).

Interested? Here are a few things to consider before making a commitment.

Employer Requirements

- An employer must have fewer than 50 full-time equivalent employees. A full-time employee is considered anyone who works 130 hours per month or 30 or more hours per week for 120 consecutive days.
- An employer already offering a group health plan to employees must cancel the plan before starting a QSEHRA.
- Owners can only participate in a QSEHRA if they are considered an employee of the business. The employee status of the owner often is determined by the corporate structure of the business.
- There is no minimum contribution amount, but there is a maximum. 2019 rates have not been set, but usually are increased for inflation. Take Command Health predicts it will be $5,150 annually for employees or $10,500 annually for employees with families.
- Employers may or may not choose to offer reimbursements to part-time, seasonal employees younger than 26 years old and employees on a spouse's group plan, although group premiums reimbursed become taxable income to the employee. [While the IRS does not allow for employer group plan premiums to be reimbursed through QSEHRA, they have made an exception (See Q48) that allows for employers to reimburse group plan premiums on a *taxable basis*. This reimbursement would be added to the employees taxable wages and reported as income on the employees W-2.]

Employee Requirements

- To access money from a QSEHRA, employees must purchase a health insurance plan that meets minimum essential coverage. Short-term plans, indemnity and faith-based sharing plans do not qualify. If an employee purchases coverage from a state or federal Marketplace and receives tax credits, any tax credits they receive on their premiums will be reduced dollar for dollar by the QSEHRA.
- Employees cannot contribute to a QSEHRA.
- All employees who qualify for the QSEHRA will receive the same reimbursement amount, although the rates may vary by family size.

Getting Started

- You may start your plan anytime, unless you already have a health plan. If you

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deductible is $1,350, up 212 percent since 2008 — increasing eight times faster than wage growth.

Some employers have stop-ped offering health coverage, but more have added it. According to the Kaiser survey, 68 percent of employers offered health benefits, but in 2017 that number dropped to 53 percent. The good news is that the number of employers offering benefits in 2018 has increased to 57 percent.

Representatives from the Employee Benefit Research Institute, a Washington, D.C-based research organization, attribute the increase in benefit offerings to the current labor market. The low unemployment rate has made it harder to attract employees, many of whom are concerned about medical bills and want a job providing health care benefits.

have a plan, cancel it first before starting your QSEHRA. To avoid a gap in coverage, set your cancellation date one day before your QSEHRA begins.

- You must offer reimbursement to all full-time W-2 employees, but you must decide if you also want to offer it to part-time workers. If you decide to do that, you'll need to reimburse them at the same rate as full-time employees.
- Decide how much you'll give employees to reimburse their medical expenses and premium costs.
- Work with an administrator to complete the proper documents to comply with IRS and Department of Labor rules. The IRS requires small businesses to keep records up to seven years.
- Inform your employees about the allowance and give them information about how and where to go for individual health insurance. They also will need a copy of the QSEHRA Summary Plan Description.

What You Need to Know About the Growing Popularity of Home-Based Care

The need for home health care aids is expected to increase more than 1.3 million by 2020.

By 2020, aging Baby Boomers will make up one-third of the U.S. population and one-quarter of workers will be 55 or older. Unfortunately, with age and wisdom, also come physical ailments. America now is faced with the challenge of figuring out how to find the resources to care for 76 million senior citizens.

One solution being looked at closely is home-based care. Home-based care provides individuals the assistance they need when they want to live at home but require more health care and services than family members are able to provide. Observers say home health care is most effective when it's used for prevention, as opposed to treating chronic disease. For instance, if someone is recovering from surgery, they might need nursing care on a short-, medium- or long-term basis. Or, they just might need help with basic tasks during the day while a family member is at work.

According to the Bureau of Labor Statistics, the number of home health agencies and personal care aides in this country will increase by more than 1.3 million by 2020. That's a 70 percent increase from 2010.

Home-based care costs run about $30 to $100 per day. Hospital and nursing home care can run 50 times those costs. The savings are obvious and can go a long way to keeping medical and insurance costs down.

But what about the quality of care? The level of care required will determine whether you need someone with or without nursing qualifications. The more experience a home-based caregiver has, the more you'll pay. Attempting to hire someone who is untrained may very well cost more in the long run if the provider doesn't know how to lift or move a person properly — which could result in additional surgery or rehabilitation costs. Plus, caregivers often work in an environment not set up for health care and work largely unsupervised.

Many employees are looking for economical ways to save money while still receiving high quality care. Here are the considerations that go into home-based care.

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Levels of Care

First, determine the kind of care required.

- **Medical Care –** Caregiver should have medical and/or first aid training. The knowledge to provide care that includes reading and understanding vital signs; treating wounds; preventing bedsores; and managing medication is vital.
- **Functional Care –** Caregiver should have received training from a registered professional, although it does not have to be medical training. Helps with daily functions such as eating, bathing, lifting, dressing and toileting.
- **Care –** Caregiver should have knowledge of proper care techniques from a professional organization. Medical knowledge is not necessary. Tasks could include assisting with an exercise program or outings or preventing bedsores.
- **Comfort and Lifestyle Services –** Caregiver does not necessarily need training to provide services such as companionship; making and taking someone to an appointment; maintaining a clean living area; planning meals; shopping; or reading.

Additional Considerations

If it's decided that home-based care is a good solution be aware that there will be a transition period for everyone involved to get used to having a stranger in your home. Also, be prepared to ask the following questions before hiring a caregiver to promote the best outcome for everyone involved:

- What skill set and personality traits does the caregiver need? Ask for written proof of qualifications.
- Will insurance cover home-based care? If so, what information do they need?
- How many hours of care are needed and for how long?
- If working with an agency, will staff members receive supervision? What happens if the home-based care giver can't get to work?
- Are you required to sign a fixed-period contract?

For help adding a home health care benefit option to your benefits plan, please contact us.

Does Sick Pay do What it's Supposed to do? The Case For and Against

Studies show sick pay can reduce the spread of disease in the workplace, but also increase absenteeism.

Sick leave allows employees to take a set amount of paid time off when they're ill. It's a coveted employee benefit, but some observers wonder if it encourages absenteeism, while others believe illnesses such as flu and colds would spread faster without it.

The amount of sick pay an employee can earn varies from company to company. According to the Bureau of Labor Statistics, a majority of employers offer one hour of sick pay for every 30 to 40 hours an employee works — an average of seven to eight days of sick pay per year.

Sick pay policies often are mandated and more generous in other countries. In 1883, Germany became the first country to mandate paid leave. According to a Statistisches Bundesamt report (the federal statistical office of Germany), German employers typically offer employees 10.8 sick days each year.

In comparison, Canada, Japan and the United States are the only industrialized countries that do not provide paid sick leave to all employees. A report by Philip Susser and Nicolas Ziebarth in 2016 showed that low-income, part-time, and service sector workers had coverage rates of less than 20 percent. Some cities, such as San Francisco, now are mandating sick pay.

While few employees would argue against being paid for days when they are ill and cannot work, the big question is whether sick pay does what it's designed to do and is worth employers' resources.

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The Case for Sick Leave

Employees who know they will get paid, even though they take time off from work for a day or more to recuperate, are more likely to stay home. But employees who don't have paid time off often work while ill in order to continue getting a paycheck, possibly spreading infection to other employees and customers. Therefore, sick leave plays a big part in stopping the spread of disease.

Besides the potential of sharing infectious diseases, sick employees often are less productive and take more time to recover.

Stefan Pichler and Nicolas Robert Ziebarth published a report in 2018 showing that during flu season sick pay mandates reduced the flu rate as much as 40 percent.

Many employers view paid sick leave as a necessary benefit to keep and attract a skilled workforce. That's especially true this year for retail establishments. Federal labor statistics indicate that there are 100,000 more retail job openings this year than last. *The Business Insider* attributes the shortage to a low unemployment rate and many workers' interest in full-time, not part-time, jobs. Employers like Target, JC Penny, Kohl's and Macy's were particularly worried about this holiday season and ramped up recruitment efforts. According to the outplacement firm Challenger, Gray and Christmas, Target was looking to hire 120,000 part-time workers for the holidays.

The Wall Street Journal reported that employers seeking seasonal help were adding paid time off as a perk for part-time employees — something they hadn't done before — hoping to attract more employees.

Another benefit of sick leave pay is it makes it easier for low-wage, hourly employees to take care of sick family members without fear of losing wages. It also puts lower wage and higher wage employees on the same footing, reducing inequalities between the two groups.

The Case Against Sick Leave

There are concerns that some employees view paid sick leave as vacation days and will call out frequently without notice. A Statistisches Bundesamt report released in 2018 showed that back pain was one of the most common reasons that workers in Germany called in sick. In 1996, when Germany enacted a bill to reduce sick pay from 100 percent to 80 percent of wages, the number of sick days was reduced. In particular, absences due to back pain decreased by almost 30 percent. On the flip side, more employees came to work sick.

When an hourly employee takes paid sick leave, employers often pay another employee to cover the employee's job duties — an expense that can add up since an employer is paying double for the same amount of work.

The Case for and Against an Alternative

Paid time off (PTO), also known as personal time off, is becoming a popular alternative to sick leave. Many companies have replaced sick leave, vacation days and personal days with a PTO plan. Employees earn days off after working a certain number of days and can use the time any way they like.

While many employees currently earn 10 paid holidays, two personal days, and eight sick leave days annually (not including vacation days) they typically would get 30 days paid time off under a PTO plan

This plan works great for employees who are healthy, since they rarely use all of their sick days. Instead, they get extra vacation time.

PTO has some downsides for employers. The plan gives employees more sick days, which means they could be away from work more often without notice. Also, some employees who want to keep all of their "vacation days" could come into work sick in order to use their paid days off later.

PTO plans work best for companies with the flexibility to easily manage when employees call out. Employers must stress the importance of requesting approval for days that are actual personal days or vacation days.

For help deciding which PTO plan will work best for you please contact us.

What's In and Out With Benefit Programs

When you offer benefits to your employees, you want to provide the type of benefits that will attract and keep valued employees. However, benefits that once were popular can become less desirable.

The Society for Human Resource Management (SHRM) and Forbes magazine conducted surveys to determine the least popular benefits. SHRM focused on benefits which are not offered as often, while Forbes focused on benefits now seen as gimmicks.

Here are two benefits that appeared on both lists and are on their way out:

- **Certain Types of Wellness Programs:** While wellness programs are still popular, SHRM says programs focusing on preventive programs for employees with chronic health problems are no longer popular. Forbes found that wellness programs that don't provide employees with resources to make cost-effective decisions are out. What works well are those with gym memberships, gamified wellness activities and voluntary programs helping people deal with specific diseases.
- **Employee Discounts:** Many of these programs focus on generating revenue through partnerships and the services are not the best price or what employees want. The company can say that it's offering a benefit, but the benefit rarely is used.

What Works

SHRM says that programs that focus on employees' financial wellness are highly valued. Programs that work include:

- **Health Savings Accounts (HSA):** Coupled with a high-deductible health plan, an HSA, funded by the employer and employee, can be a great way for employees to pay for medical expenses.
- **Financial Advice:** Almost half of participants in the SHRM survey offered some kind of financial advice, from online resources to one-on-one coaching. About four percent of companies offered student loan debt repayment.
- **Professional Development Opportunities:** Employees like to feel needed and want to know that they have a future in the company. Offering employees additional training leading to promotion is a popular benefit.