Employee Benefits Report

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IRS Increases 2023 HSA and HDHP Contributions

In late April, the IRS announced a significant increase in health savings account (HSA) and high-deductible plan (HDHP) contribution limits prompted by rising inflation.

Eligibility for HSAs is also changing as HDHP minimum deductibles rise.

HSA Contribution Limits Increase

Health savings accounts help Americans save money for medical expenses. A form of tax-advantaged personal savings account, HSAs combine with high deductible health insurance policies to provide additional coverage.

HSA contributions are tax deductible, accumulate tax-free, and are interest-bearing, so un-

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Employers Focus on Well-Being as Workers Return to Work

The COVID-19 pandemic has forced employers and employees alike to adapt to a new way of working. This has meant working from home, at least part of the time for many. Now that some employees are starting to return to the office, employers are focused on keeping them safe and healthy.

According to the 13th Annual Employer-Sponsored Health & Well-Being Survey, 83% of respondents stated that employee well-being would play a significant role during the return. As employees adjust to working in an office again, employers will face new challenges, even as many are being proactive in addressing them.

Many companies are instituting a variety of initiatives, such as mental health (91%), physical health (60%), and work/life balance (57%). In addition, 60% of the organizations surveyed stated that most of their employees would work under a hybrid model in 2022. Of these, 50% said

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used funds will grow over time. HSA holders can withdraw deposits at any time to cover medical expenses not covered by the HDHP for themselves or their family members. Funds roll over from one year to the next, and when the account holder reaches 65, they can withdraw the funds for other purposes without penalties.

In 2022, combined employer and employee HSA contribution limits are $3,650 for individuals and $7,300 for family plans. In 2023, these contributions will increase to $3,850 and $7,750, respectively, representing a 5.5% increase versus the previous year's 1.4% increase. HSA catch-up contributions for those 55 or older remain the same at $1,000.

Married couples can share a single plan with family coverage and a contribution limit of $7,750. If both have access to HSA eligible individual coverage, they can each contribute up to $3,850 to their separate accounts.

If both spouses are 55 or older, they will require separate accounts to each take advantage of the $1,000 catch-up contribution. If one spouse is younger and the HSA is in their name, the spouse that is 55 or older will have to open a separate account to make the $1,000 catch-up contribution.

Any deposits that exceed the contribution limits are subject to an annual 6% excise penalty tax unless the excess is withdrawn before that year's tax deadline.

HDHP Minimum Deductibles Rise

Access to HSAs is limited to those enrolled in high-deductible health insurance plans where participants pay lower monthly premiums but cover more of their healthcare costs before the insurer steps in.

According to the IRS's definition for 2022, a plan qualifies as an HDHP if it has a deductible of at least $1,400 for individuals and $2,800 for families. In 2023, the minimum deductibles are rising to $1,500 and $3,000, respectively.

HDHP maximum annual out-of-pocket expenses are also being adjusted from 2022's $7,050 for individuals and $14,100 for families to $7,500 and $15,000, respectively. Out-of-pocket costs include deductibles, copayments, and coinsurance.

Changes Prompted by Higher Inflation

Though significant, these changes shouldn't come as a surprise. Contribution limits are adjusted every year for inflation based on the 12-month Consumer Price Index for All Urban Consumers ending on March 31. In 2020, the inflation rate was 1.3%, compared to 5.8% in 2021, which shows that increases in contribution limits are closely aligned with inflation rates. Catch-up contribution limits don't change because they are fixed by statute.

The IRS usually releases new contribution limits for other employee benefits in October. However, HSA and HDHP limits are announced earlier, so insurers have enough time to get their plans approved by regulators.

Affordable Care Act vs. HDHP Limits

Plans compliant with the Affordable Care Act have a different set of limits on out-of-pocket expenses than pure HDHP plans. In 2023, the annual maximum out-of-pocket expenses for ACA-compliant plans will be $9,100 for individuals and $18,200 for families, up from $8,750 and $17,400.

HSA eligible high deductible health plans are available in the ACA compliant market. However, the HSA-qualified HDHP maximum out-of-pocket limits apply to these plans rather than the ACA ones. Otherwise, the plan loses its status as an HSA-compatible HDHP.

Higher Limits Represent an Opportunity

Experts consider this significant jump in HSA contribution limits as an excellent opportunity for employers to encourage their employees to start contributing to HSAs or increase their current contributions. Even a nominal contribution of a few hundred dollars can increase employee engagement with their HSA. It also improves their perception of the value of their health benefits.

they expected their hybrid workers to be in the office three days per week.

Over half of the respondents also stated they would be focusing on job satisfaction as part of their well-being program.

Large Employers Increase Well-Being Budgets

Employers with over 20,000 employees increased their 2022 budgets for well-being programs to $11 million, compared to $10.5 million in 2021. Incentives are still a significant part of well-being programs, with the average financial incentive rising by 22% to $823 per employee.

Asked why they were implementing these well-being programs, most employers cited increasing productivity (68%), lowering health risks (63%), and managing healthcare costs (52%). However, 39% stated their goal was to improve their company's reputation and brand.

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Making Changes to Caregiving Benefits in the Era of Hybrid Work

The COVID-19 pandemic has forced many workers to adapt their schedules and work styles to accommodate new childcare and eldercare responsibilities.

With offices reopening, many working caregivers are wondering how to best manage their time and commitments.

While a hybrid work model — a combination of in-office and remote work — may offer the best of both worlds, employers need to consider the unique needs of caregivers when crafting their policies.

Consider Individual Situations

Caregiving solutions should be flexible and based on employees' personal and work circumstances. They may also need different types of support at different times, so they can vary their schedules as their caregiving responsibilities change.

For example, a hybrid worker might need access to on-site childcare when in the office and no support when at home. On the other hand, part-time employees might require assistance with childcare for a limited number of hours, whereas shift workers might need help outside of regular working hours. In such cases, employers can help by providing employees with access to childcare support at a reasonable cost.

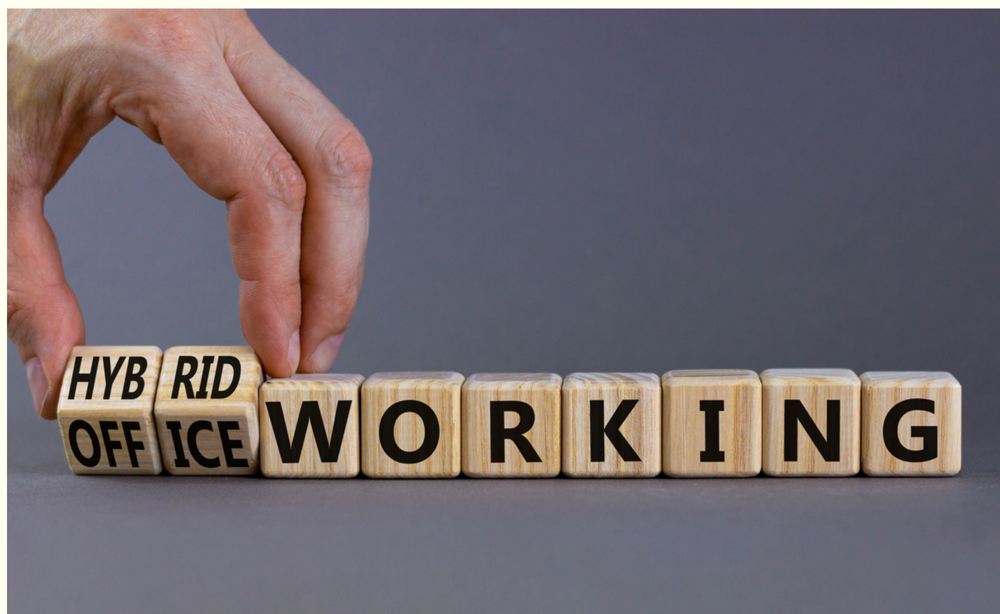
At other times, employees might just need a bit of flexibility to handle their caregiving responsibilities. For instance, an employee might need to leave early to pick up a sick child from school or daycare. Employers can allow employees to adjust their work hours as required in these situations. Some employers also provide some paid leave specifically for emergencies.

Set Expectations and Respect Boundaries

When crafting policies, employers should be clear about what they expect from employees regarding work hours and productivity. Employees should be informed about how much time they are expected to spend working in the office and at home.

If possible, employers should consider allowing employees to adopt flexible work schedules, including blocking out private time. For instance, this would enable employees to structure their work around their caregiving responsibilities.

Many companies have instituted core blocks of time when all employees must be online, with the understanding that outside of those core hours, employees have the freedom to schedule their work time as they choose.



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In most instances, employees should not be expected to answer work-related emails and calls during their private blocks or outside of working hours.

Provide Employee Support

Offering caregivers support doesn't just benefit the employees — it also benefits the company. Caregivers who feel supported by their employer are more likely to be productive, engaged, and loyal to their company.

One company, for example, provided unemployed caregivers with 16 weeks of paid work experience to help them ease back into the workforce.

Peer and community support can also be beneficial for caregivers. It helps them see that they don't have to go through their challenges alone.

Some employers create or participate in support groups for caregivers. These groups provide employees with a space to share their experiences and connect with others who understand what they're going through.

Another way to support employees is to provide them with access to resources, such as caregiving information, coaching, and counseling. Some companies have gone so far as to create well-being funds for their employees that can be used for anything from meal services to buying comfortable mattresses.

Provide Managers with the Right Training

A hybrid work model that supports caregivers is only as effective as the managers who oversee it. Therefore, employers must provide managers with the training they need to manage hybrid workers effectively.

This training should cover topics such as how to communicate effectively with remote employees, create an inclusive work environment, and accommodate employees with caregiving responsibilities.

Institute Clear Policies

Employers should also make sure to have clear policies and procedures to manage and support caregiving employees. The Equal Employment Opportunity Commission recently updated its guidance to remind employers that they cannot discriminate against employees who are caregivers.

According to AARP, 191 local jurisdictions have instituted legal protections for caregivers in the workplace. For example, Delaware passed a law protecting people caring for adult family members against employment discrimination.

While employers should consult with employees to understand their needs, then create policies that address those needs, it's also important to consult with legal counsel to ensure that their policies comply with the law. ■

Best Practices for Substance-Misuse Benefits

The COVID-19 pandemic has had far-reaching effects on the nation's mental health.

Substance misuse among employees has increased, which has been made easier because addictions are easier to conceal in remote and hybrid work situations.

The situation was already a serious problem, but human resource professionals have found that substance use, misuse, and abuse have increased significantly since the pandemic. In 2014, according to a National Survey on Drug Use and Health, 55.1% of the US population with substance-use disorders held full-time jobs. Due to the pandemic, however, this figure has likely risen significantly.

Employers need workers to be productive and engaged, so offering substance-misuse benefits would often make sense. By failing to help employees who are either experiencing substance use disorders themselves or have a family member in this situation, employers are putting at risk the investment they made in that employee.

Best Practices When Offering Substance-Misuse Benefits

When deciding on what benefits to offer employees affected by substance misuse, employers should follow some best practices,

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such as offering a variety of solutions, ensuring easy access, destigmatizing the issue, and protecting employee privacy.

Offering Various Solutions

Employee assistance programs (EAP) are not always sufficient to address substance misuse issues. These programs cover a limited number of visits, and privacy might also be a concern. As a result, employees might prefer to avoid EAPs.

By offering various other options, employees are more likely to take advantage. Therefore, employers should also consider offering telehealth, contingency management programs, digital support, peer support, and recovery ambassador programs.

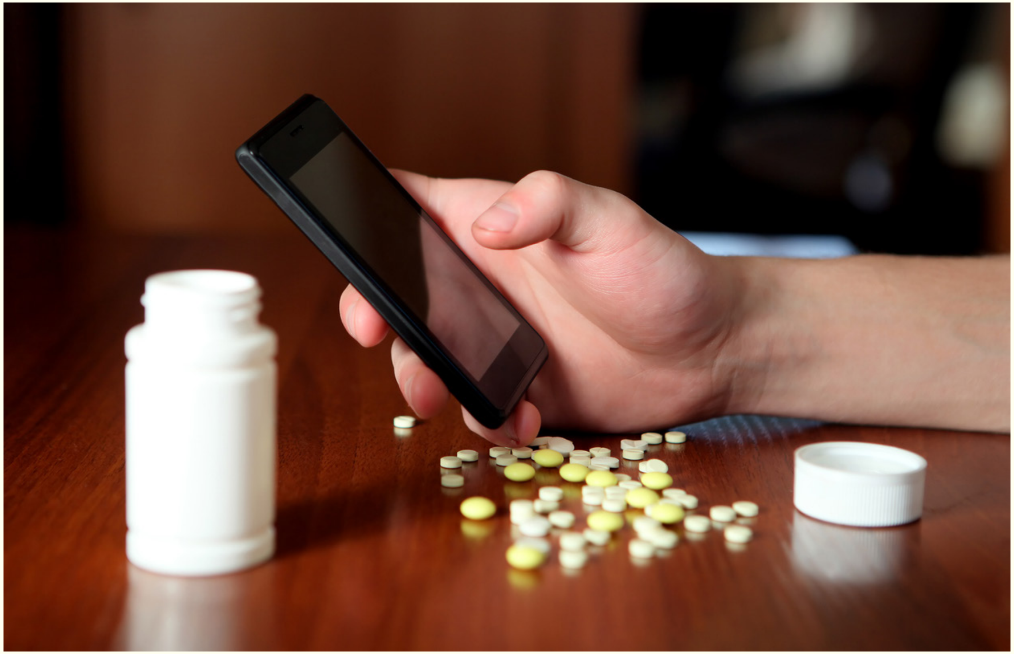
Ensuring Easy Access

The more challenging it is for an employee to access substance-misuse benefits, the less likely they will take advantage. Employers offering telemedicine services, for example, should ensure that their employees can easily access mental health professionals.

It might even make sense to provide access to a separate service dedicated to mental health so employees can easily connect with various professionals. Another advantage of telehealth services is that employees don't need to leave work when undergoing treatment.

Destigmatizing the Issue

Company leaders should help destigmatize mental health and substance misuse benefits by promoting them. People are more likely to follow the example and endorsement of their leaders, so it would be ideal if leaders would disclose



their own use of mental health benefits.

Protecting Employee Privacy

Employers must protect employee privacy. Employees should understand that they can use mental health benefits without their employers finding out.

Employers should also ensure that the service they opt for provides good quality treatment and level of care. Carrie Singer, executive director of Quince Orchard Psychotherapy, explains that employers should consider other factors beyond just paying for an app, such as access to 24/7 crisis response, licensed counseling, and psychiatry support.

The Risks of Substance-Misuse Benefits

Coverage for substance misuse is not mandatory. However, employers who offer it must ensure that coverage limits for mental health and substance use disorders are equal to those for medical and surgical benefits, according to the Mental Health Parity and Addiction Equity Act (MHPAEA). Additionally, when it comes to digital tools designed to help employees, there might be concerns regarding the quality of care and HIPAA privacy rules. Companies should seek the guidance of a compliance expert to avoid any problems.

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Employers Concerned Over Hybrid Work Model

The shift to a hybrid work model has hcreated new challenges for employers, who must now accommodate remote and on-site employees.

According to Littler's 10th Annual Employer Survey Report 2022, 86% of companies with remote workers or permanent remote work models cited maintaining company culture and employee engagement as their primary concerns.

Another critical challenge seems to be ensuring that remote and hybrid work flexibility is applied fairly, with 53% of respondents indicating that they are concerned about this. Many businesses are also concerned with communication and meeting efficiency (52%) and a decline in mentorship and professional growth opportunities (45%).

Other concerns included availability for in-person interactions with clients, customers, or third parties (40%) and scheduling obstacles with employees on-site on various days (28%). Only 2% of respondents did not have any concerns.

Return-to-Office Policies Do Not Equate to Lack of Options

Regarding returning to the office, 54% of survey respondents had already instituted return-to-office policies, 13% planned to return by August, and another 13% planned to return at some point. However, this does not mean that work flexibility is a thing of the past, as it has become vital for talent acquisition and retention.

When asked to what extent their organization offered or considered offering remote work or other flexible solutions, 47% stated to a great extent, 37% said somewhat, 13% answered very little, and only 3% said not at all.

These reactions are not surprising. According to a 2021 Ipsos survey, 30% of employees stated they would look for another job if they were forced to return to the office full time.

Group Disparities

According to a Future Forum Report, of the 10,737 knowledge workers surveyed, 78% wanted location flexibility while 95% wanted schedule flexibility. Interestingly, there seems to be some disparity between various groups.

For example, in the US, 86% of Hispanic/Latinx employees and 81% of Asian/Asian American and Black employees preferred hybrid or remote work models over 75% of white workers. Globally, 52% of women wanted to work mainly remotely, compared to 46% of men. Additionally, 37% of non-executives working remotely stated they would prefer to be in the office three or more days a week, compared to 75% of executives.

Such disparities could increase the risk of proximity biases, with 41% of executives stating that they are concerned over inequities developing between remote and in-office employees.