Developing a Holistic Approach to Employee Benefit Administration

A FORUM FOR EB INNOVATORS

February 23, 2024

Medcom
BENEFIT SOLUTIONS

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Day 2 Agenda

1. Maximizing CDHP Savings
2. Avoiding Pitfalls in Managing COBRA
3. Covering the Bases with HIPAA for Self-Funded Clients
4. Top 3 Takeaways & Next Steps
5. Prioritizing – The Key to Productivity

Maximizing CDHP Savings

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Presented by: Christy Crow & Joseph Ramsey

Agenda

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Flexible Spending Accounts Return on Investment (ROI)

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Seeding Dependent Care Assistance Plans (DCA)

03

Matching DCAs

04

Health Reimbursement Arrangements (HRA)

05

Health Savings Accounts (HSA)

Flexible Spending Accounts ROI

Every dollar deferred creates tax savings for the employer and the employee

Election minimums not recommended – encourage participation

Tax savings usually offset administrative costs

Flexible Spending Accounts ROI

		1st Year		**2nd Year**		**3rd Year**
		10%		15%		20%
	275 Employees	28		41		55
Average Annual Pre-Tax Deferral Per Participant	FSA **28**	$1,200	FSA **41**	$1,400	FSA **55**	$1,600
	DCA **6**	$3,000	DCA **8**	$3,600	DCA **11**	$3,800
Total Annual Flex Plan Contribution		**$51,600**		**$86,200**		**$129,800**
FICA Tax Rate 7.65%		0.0765		0.0765		0.0765
FICA Savings		**$3,947**		**$6,594**		**$9,930**
Flex Plan Expenses						
Initial Setup	$0.00	$0		$0		$0
Renewal Setup	$0.00	$0		$0		$0
Monthly Administrative Fee	$3.75	$1,260		$1,845		$2,475
Monthly Minimum (if applicable)	$40.00	$0		$0		$0
Total Annual Flex Plan Expenses		**$1,260**		**$1,845**		**$2,475**
Net FICA Savings		**$2,687**		**$4,749**		**$7,455**

Flexible Spending Accounts ROI

		1st Year		2nd Year		3rd Year
		10%		15%		20%
	50 Employees	5		8		10
Average Annual Pre-Tax Deferral Per Participant	FSA **5**	$1,200	FSA **8**	$1,400	FSA **10**	$1,600
	DCA **1**	$3,000	DCA **2**	$3,600	DCA **2**	$3,800
Total Annual Flex Plan Contribution		**$9,000**		**$18,400**		**$23,600**
FICA Tax Rate 7.65%		0.0765		0.0765		0.0765
FICA Savings		**$689**		**$1,408**		**$1,805**
Flex Plan Expenses						
Initial Setup	$0.00	$0		$0		$0
Renewal Setup	$0.00	$0		$0		$0
Monthly Administrative Fee	$4.50	$0		$0		$540
Monthly Minimum (if applicable)	$40.00	$480		$480		$0
Total Annual Flex Plan Expenses		**$480**		**$480**		**$540**
Net FICA Savings		**$209**		**$928**		**$1,265**

Seeding DCAs

Some employers automatically contribute a fixed amount for all participating employees (e.g., the employer contributes $500 to each employee's DCA account).

Such “seed contributions” are sometimes used to help increase DCA Plan participation and meet applicable IRS requirements for nondiscrimination.

Matching DCA Contributions

Employer will match amounts that an employee contributes into the DCA Plan (e.g., the employee contributes $1,000 toward the DCA benefit, and the employer makes a $1,000 matching contribution).

Employer seeks to encourage increased employee participation by matching all, or a portion of, employee pre-tax salary reductions.

ROI – The Impact of Employer Contributions

ASSUMING AN EMPLOYER SEED DOUBLED DCA PARTICIPATION (FROM 2% TO 4% IN YEAR 1)

		1st Year		**2nd Year**		**3rd Year**
		10%		15%		20%
	275 Employees	28		41		55
Average Annual Pre-Tax Deferral Per Participant	FSA **28**	$1,200	FSA **41**	$1,400	FSA **55**	$1,600
	DCA **11**	$3,000	DCA **11**	$3,600	DCA **14**	$3,800
Total Annual Flex Plan Contribution		**$66,600**		**$97,000**		**$141,200**
FICA Tax Rate 7.65%		0.0765		0.0765		0.0765
FICA Savings		**$5,095**		**$7,421**		**$10,802**
Flex Plan Expenses						
Initial Setup	$0.00	$0		$0		$0
Renewal Setup	$0.00	$0		$0		$0
Monthly Administrative Fee	$3.75	$1,260		$1,845		$2,475
Monthly Minimum (if applicable)	$40.00	$0		$0		$0
Total Annual Flex Plan Expenses		**$1,260**		**$1,845**		**$2,475**
Net FICA Savings		**$3,835**		**$5,576**		**$8,327**

ASSUMING AN EMPLOYER SEED BOTH INCREASED DEFERRED PRE-TAX AMOUNTS AND PARTICIPATION						
		1st Year		**2nd Year**		**3rd Year**
		12%		17%		22%
	275 Employees	33		47		61
Average Annual Pre-Tax Deferral Per Participant	FSA **33**	$1,200	FSA **47**	$1,400	FSA **61**	$1,600
	DCA **11**	$4,000	DCA **11**	$4,600	DCA **14**	$4,800
Total Annual Flex Plan Contribution		**$83,600**		**$116,400**		**$164,800**
FICA Tax Rate 7.65%		0.0765		0.0765		0.0765
FICA Savings		**$6,395**		**$8,905**		**$12,607**
Flex Plan Expenses						
Initial Setup	$0.00	$0		$0		$0
Renewal Setup	$0.00	$0		$0		$0
Monthly Administrative Fee	$3.75	$1,485		$2,115		$2,745
Monthly Minimum (if applicable)	$40.00	$0		$0		$0
Total Annual Flex Plan Expenses		**$1,485**		**$2,115**		**$2,745**
Net FICA Savings		**$4,910**		**$6,790**		**$9,862**

ROI – The Impact of Employer Contributions

Health Savings Accounts (HSA)

- HSAs offer a triple tax advantage – no tax on the money going in, the money coming out, or the interest earned.
- Attractive to employees because they are portable, and funds are not forfeited.
- Great option to help employees save for future healthcare expenses.

Health Reimbursement Arrangements (HRA)

HRAs are excellent reimbursement vehicles when medical plan design changes result in premium savings.

Typically, premium savings are achieved by increasing out-of-pocket costs to employees.

HRAs are generally not 100% utilized, which ultimately save the employer money.

Employers have control over what is covered and how much.

Case Study

Description

- Employer group which is fully insured
- Compare current plan with proposed purchased plan
- Recommended to implement an HRA into the plan
- The employer group is an 'S' Corporation
- Three additional insureds are shareholders

Potential Options

- Set up an HSA Plan with employer contributions
- Set up an HRA Plan with an FSA
- Discuss dual options

The Shareholders Plan

- Each can be on the group insured HSA qualified plan
- The shareholders are not eligible to participate in the HRA (S Corp)
- Any contributions the shareholder makes to the HSA cannot be pre-taxed - they will be able to take the tax deduction when they file their personal taxes

Current Plan - $1500/80% w/ copays				
Employee Status	**#**	**Employee Premium**	**Dependent Premium**	**Total Premium**
EE only	56	$345.65	$ -	$19,356.40
EE / Spouse	4	$345.65	$380.21	$2,903.44
EE/Child	9	$345.65	$248.87	$5,350.68
Family	4	$345.65	$698.21	$4,175.44
Total EE	73			
Monthly Totals		**$25,232.45**	**$6,553.51**	**$31,785.96**
Annual Totals		**$302,789.40**	**$78,642.12**	**$381,431.52**

$1,500 Deductible (2 x family) then 80% coinsurance
Maximum Out of Pocket = $5,000 single and $10,000 family
$10/$30/$50 Rx Copay and $30 PCP

$3000/80% HSA Qualified Plan				
Employee Status	**#**	**Employee Premium**	**Dependent Premium**	**Total Premium**
EE only	56	$186.03	$ -	$10,417.68
EE / Spouse	4	$186.03	$194.10	$1,520.52
EE/Child	9	$186.03	$93.36	$2,514.51
Family	4	$186.03	$358.73	$2,179.04
Total EE	73			
Monthly Totals		**$13,580.19**	**$3,051.56**	**$16,631.75**
Annual Totals		**$162,962.28**	**$36,618.72**	**$199,581.00**

HSA-qualified plan (rates above include a 10% rate up)
$3,000 deductible, then 80% coinsurance

Analyze Premium Savings

- Employer pays 90% of the EE-only premium
- Employee pays 10% of the EE premium along with 100% of the dependent premium

	Monthly	Annual
Current Employer Premium (Copay Plan)	$22,709.21	$272,510.46
Proposed Employer Premium (HSA Plan)	$12,222.17	$146,666.05
Premium difference	**$10,487.03**	**$125,844.41**

Option 1: Design a Plan that will…

- Be an HSA option for the shareholders, but HRA only for the employees:
  - The General Purpose FSA will work well with this plan
  - Discuss the order rule of HRA/FSA

	The Deductible:				
Single	EE	20%	$600	# EEs	HRA Exposure
	HRA	80%	$2000	56	$112,000
			$3000		
Single +1	EE	20%	$1200		
	HRA	80%	$4800	15	$72,000
			$6000		
				Total	$184,000

Option 1: Analysis

- An HSA option for the shareholders, but HRA only for the employees
  - HRA Exposure for this option

Option 1		
Maximum HRA Exposure	$184,000.00	not fixed cost
ER proposed premium	$146,666.05	fixed cost
Maximum with HRA Plan	$330,666.05	
Old ER Premium	$272,510.46	
	$ (58,155.59)	

Estimated HRA	$69,920.00	38%
ER proposed premium	$146,666.05	
	$216,586.05	
Old ER premium	$272,510.46	
	$55,924.41	SAVINGS

Option 2: Design a Plan that will…

- Have an HSA with post deductible HRA
  - The Post Deductible or Limited Purpose FSA could be used
  - HRA has an order rule with FSA
  - Shareholders can't have HRA and full HSA

The Single HSA deductible w/post deductible HRA:							
	EE	First	$1,600		# EEs	HRA Exposure	Employer HSA Contributions
EE HSA Deductible is $3000 (ER funded $500 to this in HSA)	Post Ded. HRA	Last	$1,400		56	$78,400	$28,000
			$3,000				
The Family Agg HSA deductible w/post deductible HRA:							
	EE	First	$3,200				
EE HSA Deductible is $6000 (ER funded $1000 to this in HSA)	Post Ded. HRA	Last	$2,800		15	$42,000	$15,000
			$6,000				
					Totals	**$120,400**	**$43,000**

Option 2			
Maximum HRA Exposure	$	120,400.00	Not fixed
ER fund HSA	$	43,000.00	fixed
ER Prop Premium	$	146,666.05	fixed
Total Max Cost	$	310,066.05	
Old ER Premium	$	272,510.46	
	$	(37,555.59)	
Estimated HRA	$	30,100.00	25%
ER fund HSA	$	43,000.00	fixed
ER Prop Premium	$	146,666.05	
Total Max Cost	$	219,766.05	
Old ER Premium	$	272,510.46	
	$	52,744.41	SAVINGS

Option 2: Analysis

- An HSA option for the shareholders, but HRA only for the employees:
  - HRA Exposure for this option:

Option 2: Analysis

- An HSA option for the shareholders, but HRA only for the employees
  - HRA Exposure for this option

Option 2		
Maximum HRA Exposure	$120,400.00	Not fixed
ER fund HSA	$ 43,000.00	fixed
ER Prop Premium	$146,666.05	fixed
Total Max Cost	$310,066.05	
Old ER Premium	$272,510.46	
	$(37,555.59)	

Estimated HRA	$30,100.00	25%
ER fund HSA	$43,000.00	fixed
ER Prop Premium	$146,666.05	
Total Max Cost	$219,766.05	
Old ER Premium	$272,510.46	
	$52,744.41	SAVINGS

Avoiding Pitfalls in Managing COBRA

Presented by: Michelle Barki and Missy Brown

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COBRA is very FACT SPECIFIC and WE MUST be aware of some pitfalls

Pitfall Scenario 1

Employee was covered under his group insurance contract and was covered under his wife's insurance plan. He quit his job but still maintained coverage under the spousal plan

Is he entitled to COBRA under his group health plan?

Pitfall Scenario 1

Yes.

The United States Supreme Court states that other group health coverage that exists prior to the COBRA election date does not negate COBRA benefits available to qualified beneficiaries under another group health plan. In short, timing is everything. See Geissal v Moore Medical Group, 524 U.S. 74 (1988).

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Pitfall Scenario 2

An active employee reaches age 65. He is now eligible for Medicare and decides to terminate his group health plan and enroll in Medicare. He has a 62-year-old spouse who is also covered under the plan.

According to COBRA, a qualifying event includes an employee enrollment in Medicare and indicates the spouse should get 36 months of coverage.

Since the spouse will turn 65 before the 36 months are up, there is no issue here, and the spouse can elect COBRA and be covered for the 36 months or until the spouse elects Medicare. **True or false?**

Pitfall Scenario 2

False.

COBRA requires a qualifying event **and a loss of coverage** for COBRA to be triggered. In this scenario, there was no loss of coverage. The Medicare Secondary Payer rules as well as the ADA do not permit an employer to terminate an active employee's benefits just because they reached 65 and are eligible for Medicare.

Therefore, if the employee voluntarily withdrew from the plan, the spouse would not be entitled to COBRA.

A

Pitfall Scenario 3

The Group Health Plan covers domestic partners. If the employee terminates, the domestic partner is a qualified beneficiary who can now elect COBRA.

True or False?

Pitfall Scenario 3

False

A Qualified Beneficiary is defined under COBRA and includes spouse, former spouse, or dependent child. A domestic partner is not a qualified beneficiary and cannot independently elect COBRA.

However, if the employee who had a qualifying event that triggered the loss of coverage (termination or reduction in hours) elects COBRA coverage, he can also elect for the domestic partner as well. Maximum would be 18 months unless there is a disability extension to 29 months.

A

Pitfall Scenario 4

The employer also has a retirement plan. Therefore, if the employee retires before the age of 65, they can choose to go on a retirement plan to the age of 65. The employee is 60 years old and retiring. He is given the paperwork for the retirement plan which is identical to the group health plan. The retiring employee will have to pay full premiums but no administration fee.

Because he was offered the retirement plan, the employer would not have to send out the COBRA paperwork, as this would be redundant.

True or False?

Pitfall Scenario 4

False.

COBRA laws are very specific and regardless of being offered a retirement plan, if there was a qualifying event that resulted in the loss of coverage, you must offer COBRA as well. See Mansfield v. Chicago Park Dist. Group Plan, 946 F. Supp. 586, 589, 1996 U.S. Dist. LEXIS 17251.

A

Pitfall Scenario 5

An employer offers several different plans. When the employee terminates coverage, the spouse as a qualified beneficiary wants to choose a different plan than the terminated. As a qualified beneficiary, can she elect another plan that is offered?

Pitfall Scenario 5

No.

Even though the employer maintains various other plans and options, it is not necessary for qualified beneficiaries to be allowed to switch plans when employment terminates or the employee has a reduction in hours.

However, during the next open enrollment, if there are several options available, each qualified beneficiary must be offered the opportunity to switch plans as though each of them were an individual employee.

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Pitfall Scenario 6

The client has hired a COBRA administrator. Whew, all the worries about COBRA have gone away. They are home safe with no COBRA responsibilities.

True or False?

Pitfall Scenario 6

False.

Plan administrators should always make sure COBRA notices, file feeds, and payments are reconciled with their carrier. Reports by the TPA are either generated automatically or can be generated upon request. The DOL and the IRS have stated that COBRA rests with the plan sponsor. Even the best of COBRA administrators can make a mistake or may not receive the correct information. Best practices always dictate that the plan administrator verifies COBRA activity at least monthly.

In addition, they are often contractually required to do the same in the contract.

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Pitfall Scenario 7

You have an employee who is constantly making huge mistakes that has an affect on the company's bottom line. You fire for them for cause and because of "gross negligence" do not offer them COBRA. You are home-free right?

Pitfall Scenario 7

No, or it depends.

At minimum, they should have consulted their attorney. Case law seems to indicate for the most part, that criminal activity would be gross negligence, but poor performance is not.

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Questions?

Break

Covering the Bases with HIPAA for Self-Funded Clients

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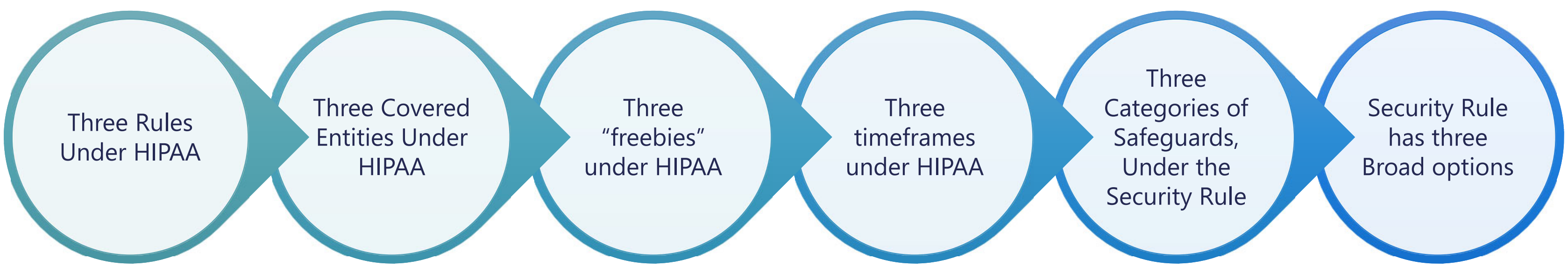
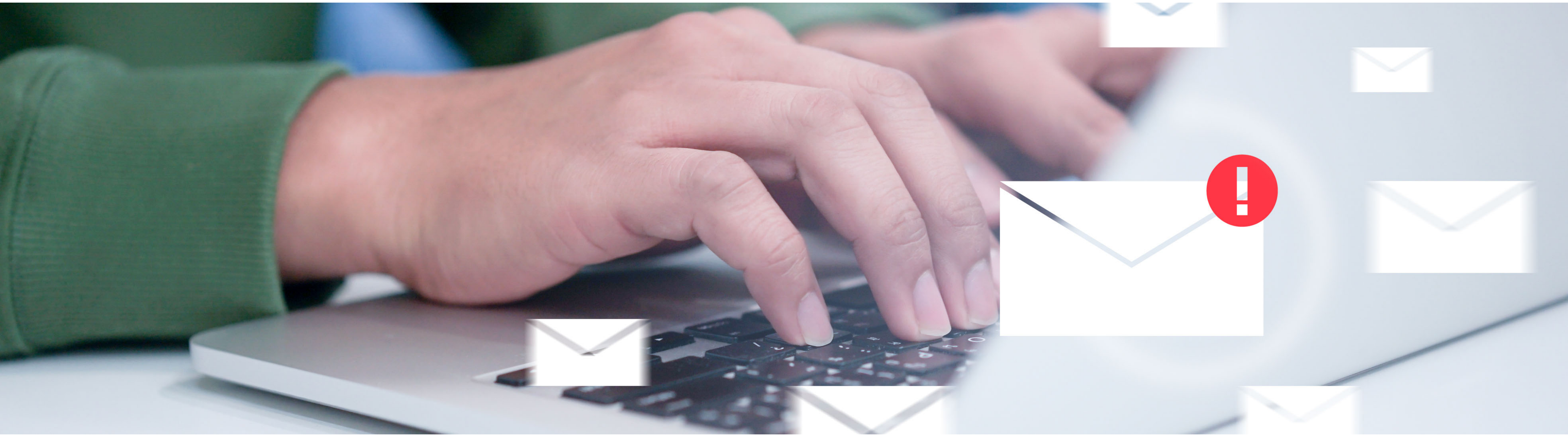
Presented by: Michelle Barki & Michelle Henderson

Quick Review of HIPAA and "Rules of Three"

- How many rules that come in threes are you aware of?
- What about your self-funded clients?





Anthem

Anatomy of a preventable disaster.

Does anyone know what happened?

Anthem Disaster

- Between December 2 and January 27, 2015, 79 million individuals had their ePHI stolen through a phishing attack where at least one employee fell for it
- Received HIPAA fine of $16 million – largest in HIPAA history
- Had to mail and notify all of breach
  - Let's say conservatively 20 million letters are sent at $10.00 per letter with admin fees etc, you are looking at $200,000,000 just for notification
- Forensics evaluator came in and helped work through it for months
- Seven State Insurance Commissioners were involved, and at the end of the day Anthem had to spend more that $260,000 million on security upgrades to satisfy the commissioners and HHS
- Class action lawsuit settled for $115 Million
- Anthem's associates were also affected
- Loss of reputation
- SO, WHO HACKED ANTHEM?

Clients are Subject To Penalties and Must be HIPAA Compliant

Our clients are not in the same league as Anthem, but they are at risk if they do not have privacy/security program in place

C-Suite is an important component. How do you get their buy in? Do we have a story to tell?

HIPAA makes a good business plan, if HIPAA is understood.

Phishing training. Do employees recognize the danger?

Policies and Procedures

HIPAA training is imperative for all that touch ePHI.

Risk Assessment, Risk Management Plans

Laptops, Cell Phones, and Thumb Drives

Technology is great, until it gets stolen or goes missing

Are all devices that contain PHI encrypted?

In this room, we are probably all business associates. Our clients rely on us as well to be safe, and to advise them.

HIPAA Doesn't Have to be Cost Prohibited

Medcom does have a suite of HIPAA services that reasonably priced and not cost prohibited

- Privacy policies
- HIPAA Training
  - HR and IT
  - Framework training for IT
- Risk Assessment tool

Questions?

Top 3 Takeaways & Next Steps

Presented by: Michael Bracken

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Prioritizing – The Key to Productivity

Presented by: Special Guest - Ellen Kelbert

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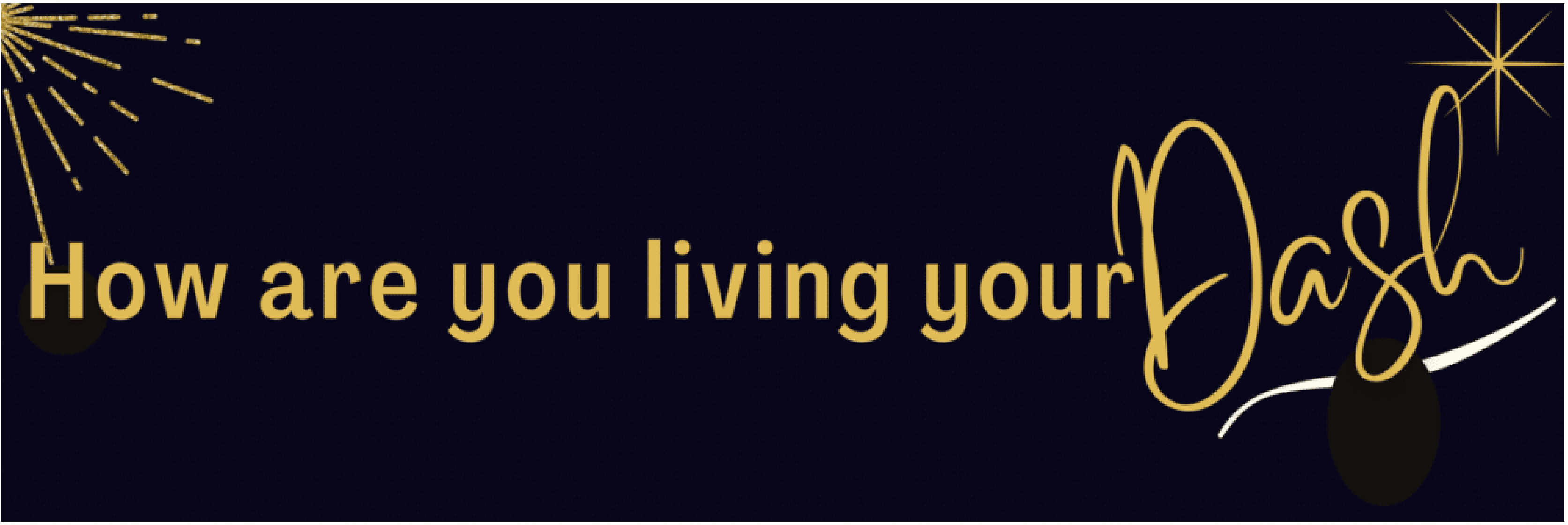
Intro

Ellen Kelbert has extensive experience in designing, implementing and evaluating learning programs to improve productivity in manufacturing, finance, academic and service-related industries. As a talent development consultant, Ellen works closely with corporate leaders, line managers, and staff on management/leadership development, interpersonal skills development, and employee engagement initiatives, leading workshops and providing individual coaching support. In addition to her talent development consulting practice, Ellen works as a Career Consultant assisting individuals as they navigate their career paths.



Thank You!

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