Self-Funding: About More Than Savings

For decades, employers determined to get a handle on runaway health care costs have compared self-funding to their traditional fully insured plans. Many who have made the move have discovered that the opportunity for savings is just one advantage. Others include flexibility in plan design, access to plan and utilization data and the ability to use that data to influence employee health for the better.

Access to Claims Data
Access to plan and utilization data enables a self-funded plan to modify far more than contribution levels. Data analysis can help identify factors driving claims. Those with chronic conditions can get the help they need when they need it. Worksite wellness measures can be designed for greater impact and costly health issues that do arise can be addressed earlier.

Plan Design Flexibility
Having control over the design of your employee health benefit plan is huge – especially in light of the Affordable Care Act (ACA) and the costly benefit mandates that came with it. Partially self-funded health plans, those with stop-loss coverage to cap claim costs, are subject to federal ERISA laws, thereby avoiding state regulations and some ACA provisions. Best of all, programs can be designed to meet the needs of your population and evolve as needs change.

Efficient Administration
With a self-funded health benefit plan, your company pays only for fixed expenses like administrative fees and stop-loss insurance premiums and claims that your covered group incurs. Profit margins, risk charges, reserves and most state premium taxes, common to fully insured plans, are avoided.

Just like the many aspects of our lives that can now be customized at the click of a button, the days of one-size-fits-all health insurance plans are gone forever. Subject to state regulations, an increasing number of employers of 25 or more will discover that flexibility and control in health benefits will belong to those organizations that work with an independent third party administrator to adopt partial self-funding.
Health Risk Assessments Now a Daily Occurrence

Annual comprehensive health assessment events are still very valuable employee engagement tools, with the ability to create “teachable moments” for plan participants and their dependents. Traditional health risk assessments, however, cannot match the dynamic qualities of wearable devices and mobile apps, which now generate and store data about behavioral characteristics such as food consumption, blood pressure, weight, physical activity, sleep and more.

As the scope of available health-related data continues to expand and these devices become even more popular, wellness providers will be challenged to find ways of ensuring that information being captured is used in a HIPAA-compliant manner. The value of these tools in workplace wellness will lie in the ability to integrate relevant data sources and use the data to help members achieve desired wellness goals – especially those with chronic health conditions.

Can a MEC Plan Help Your Company?

Under the Affordable Care Act (ACA), Applicable Large Employers (ALEs) can avoid paying the $2,000 per employee penalty for failing to offer qualifying health coverage by offering full-time employees a Minimum Essential Coverage (MEC) plan.

Offering the most basic benefits – MEC plans offer only the most basic level of benefits required under ERISA and while some may view them unfavorably, others view MECs as a viable alternative to paying costly penalties and sending employees to public Marketplaces.

MECs are extremely affordable – Since MEC plans cover only certain wellness and preventive services, many employers fund the entire cost even though this is not required. Simply offering a MEC satisfies the ALE’s obligation to offer coverage, as well as the individual mandate that can penalize employees who do not have coverage.

Some prefer a combined approach – Employers wishing to furnish more coverage may supplement a MEC with a Limited Medical Benefit plan. This can provide additional, restricted coverage for routine doctor visits and hospitalization, while still costing far less than a traditional health plan. Since employers can also be assessed $3,000 for each employee qualifying for a federal subsidy, some may pursue a combined option to keep workers from accessing a public Marketplace.

As we help companies weigh their options, MEC or a combination MEC/Limited Medical Benefit plan should be considered. If the costs associated with ACA present challenges to your organization, let us help you determine the best way to proceed.

Will Mobile Enrollment Become the Standard?

The days when employers worried about workers who lacked a home computer with internet access have come and gone. Today, more employers are concerned with how to enable their workers to make benefit elections on their smart phone or mobile device.

It’s not surprising when you realize the speed at which the mobile revolution is taking hold.

When you hear that 13 million new iPhones are sold on the first weekend they are released, it’s not hard to believe that 70% of working age adults possess a smart phone or tablet with internet access. As these devices become more and more powerful and displays become larger and easier to read, you have to believe that it won’t be long before email and printed handouts are replaced by mobile enrollment.

Trends Latest Happenings in Today’s World

Online Second Opinions Expand
Medical centers that offer second opinions online are experiencing increased demand for their services, especially from patients located overseas and those with very serious conditions. According to the Patient Advocate Foundation, costs for an online second opinion vary, often ranging from $500 to $1,500. One new California-based service provides second opinions for $300 with optional video conferences costing $200 more.

Say Goodbye to Commercial-Free Waiting Rooms
If the television in your doctor’s waiting room isn’t yet mixing paid commercials with educational videos, get ready for the fast-growing form of marketing called “point of care” advertising. It’s just one of several ways that technology companies are helping medical device and drug companies reach patients.
Health Care Reform & Regulatory Update

Debate on Cadillac Tax Continues

While there is plenty of discussion about the tax on high cost health plans, the tone has changed somewhat since the CBO said the federal government would forfeit over $80 billion if the tax were repealed.

One of the big concerns related to the Cadillac Tax is its impact on benefits that help reduce out-of-pocket costs for working families. When the tax takes effect in 2018, a 40% levy will apply to benefits that exceed the government-set threshold. Employer contributions to FSAs and HSAs, and even costs associated with on-site clinics, would be included in the tax calculation.

Doing away with these accounts would increase out-of-pocket costs for millions of Americans. While lawmakers on both sides of the aisle support a bill to repeal the tax, they face an uphill battle. Not only is the government counting on the tax to raise a projected $87 billion over 10 years, but President Obama has stated he will veto any legislation that weakens the health care reform law.

A trend that many say is related to the tax is a continued rise in deductibles, which according to Kaiser Family Foundation research, have increased by about 8% from a year ago. Recent polling by consultant Mercer shows that 41% of employers have already added a high deductible plan in anticipation of the tax.

PCORI Fee Rises to $2.17

The Internal Revenue Service (IRS) just announced that the fee that supports the Patient Centered Outcomes Research Institute (PCORI) will increase from $2.08 to $2.17 per covered life, an increase of 4.3%.

The increase will apply to health plan years that end on or after Oct. 1, 2015 and before Oct. 1, 2016. Under the PCORI provision, all health insurers and self-insured major medical plans are required to pay the fee.

Venture Capital Helps Primary Docs

Changes in how doctors get reimbursed and new requirements such as electronic medical records are causing major headaches for physicians trying to remain independent. With venture capital funding, Chicago-based Village MD is helping independent physicians integrate their electronic databases with insurer’s claims systems. Their goal is to keep patients from being readmitted or retreated, thereby avoiding reduced payments and penalties tied to the Physician Quality Reporting System and other ACA initiatives.

Uninsureds Fall – Deductibles Rise

Census Bureau figures show that the percentage of Americans without health insurance fell from 13.3% in 2013 to 10.4% in 2014 – approximately 8.8 million people. At the same time, the average cost of employer sponsored health care coverage rose by about 4% to more than $17,500 this year, from $16,834 last year.

ACA: FICTION OR FACT

With so much information flying around on the Affordable Care Act, it can be a challenge to determine what is correct. In an effort to clear up ACA confusion, here are a few facts that you may have seen misstated.

**Fiction:** The out-of-pocket limits applicable to qualified high deductible health plans are the same as limits imposed on health plans.

**Fact:** Actually, the limits applicable to qualified high deductible health plans (HSA compatible plans) are slightly lower than the ACA limits. This can be very important since using ACA limits can disqualify enrollees in a qualified high deductible plan from contributing to a health savings account.

**Fiction:** Large employers that do not offer health benefits or that qualify for 2015 transitional relief do not have to file the 2015 Form 1095-C/1094-C.

**Fact:** All employers that averaged 50 or more full-time employees plus full-time equivalents during the calendar year 2014 must file these forms.

**Fiction:** The Cadillac Tax only applies to large employers that are subject to ACA employer shared responsibility.

**Fact:** The Cadillac Tax applies to all employers that offer health plans.

**Fiction:** U.S. expatriate plans are completely exempt from ACA rules.

**Fact:** While qualifying plans are exempt from certain market reform rules and hours worked overseas do not accrue toward shared responsibility full-time employee calculations, the Cadillac Tax is scheduled to apply to these plans.
Did You Know? New Ideas for Healthy Consumers

High Blood Pressure and The Bottom Line

In America today, nearly one in three adults has high blood pressure, with fewer than half having the disease under control. If you’re an employer wondering why you should care, consider these facts:

- High blood pressure is one of the 10 most expensive conditions impacting U.S. employers.
- People with high blood pressure miss up to 4 more work days than those without a chronic condition.
- More than 35 million physician office visits are attributed to high blood pressure each year, with some of these visits requiring time away from work.

To have a positive impact on the overall health of your workforce and lower costs associated with high blood pressure, consider the following steps...

Education – 20% of Americans don’t realize they have high blood pressure, so raise awareness by providing screenings. National High Blood Pressure Month, in May of 2016, may be the perfect time.

Healthy Eating – Support healthier eating by offering low-sodium snacks in office vending machines.

Get People Moving – If possible, encourage those participating in small group meetings to walk and talk rather than sitting. If standing or treadmill desks are feasible in your workplace, consider adding a few and see how things go.

There are many ways to address hypertension in your business. Regardless of how your company chooses to proceed, people will benefit and so will your bottom line.

Eat Less To Age Better

Animal studies have shown that taking in fewer calories while still getting essential nutrients, extends life and slows progression of many age-related diseases. To try and determine how eating less can impact humans, researchers at the U.S National Institute on Aging conducted a 2-year study of 200 healthy adults.

Those who lowered their calorie intake by about 12% in year one, lost about 10% of their body weight and maintained their weight in year two. Improvements in areas related to heart disease included a 6% decrease in total cholesterol, a 4% drop in blood pressure and higher levels of good HDL cholesterol. The study, in the September issue of the Journal of Gerontology also showed that some had greater than expected decreases in bone density, pointing to the importance of medical monitoring during such a restriction.

HSA Contributions Remain Tax Deductible

Even though employer and pre-tax contributions to Health Savings Accounts (HSAs) are becoming threatened by the looming Cadillac Tax, after-tax contributions continue to be deductible. Qualifying contributions to an HSA, however, are deducted from gross income to determine adjusted gross income and not reported as medical expenses on Schedule A. As a result, after-tax HSA contributions are not limited by the 10% floor or income phase-outs that impact itemized deductions.

Please Contact Us:

This newsletter is not intended as a substitute for personal medical or employee benefits advice. Please consult your physician before making decisions that may impact your personal health. Talk to your benefits administrator before implementing strategies that may impact your organization’s employee benefit objectives.

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