Top Ten Health and Welfare Items Overlooked at Year-End

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Top Ten Items Overlooked at Year-End

- Domestic Partner Imputed Income Calculation
- Supplemental Life—Imputed Income Issues
- Required Notices
- Termination Notices
- Underwriting “fine print”
- HRA/HSA Balances
- COBRA rates for FSA & HRA
- HDHP plans for new hires
- Debit Card Communication
- Contribution Tiers

Domestic Partner Imputed Income

- Same Sex or Opposite Sex Domestic partners generate Imputed Income
- There are many potential tiers (categories) for Domestic coverage
  - Ee and DP
  - Ee and DP and DP child
  - Ee and DP and DP children
  - Ee and Child and DP
  - Ee and Child and DP and DP child
  - Ee and Child and DP and DP children
  - Ee and Children and DP
  - Ee and Children and DP and DP and child
  - Ee and Children and DP and DP and children
  - Ee and Family and DP
  - Ee and Family and DP and DP child
  - Ee and Family and DP and DP children
- However most employers have not anticipated these possibilities

Domestic Partner Imputed Income

- There are also different interpretations of the imputed income calculation
- The employer provided value of the domestic partner benefits is considered taxable income to the employee because a DP is not deemed a spouse under the Internal Revenue Code, and this value should be reflected as imputed on the employee’s W-2
- The employee contribution for a domestic partner is the same as for a spouse, but the domestic partner portion of the employee contribution must be made on a post-tax basis because DPs are not considered spouses under cafeteria plan or IRS regulations
- The taxable amount of the DP benefit is the total rate for the DP coverage only, less the post-tax employee contribution for DP coverage
- Case Example: What to do
  - Review the possibilities
  - Determine your payroll capabilities
  - Ensure your enrollment system is in alignment
  - Make a decision on tiers to accommodate
  - Determine calculation method
  - Communicate

Supplemental Life Imputed Income

- Many Employers offer Supplemental Life coverage
- Imputed income is generated if the supplemental life rates "cross-over" the Table I rates
- The easy fix is to have the rates adjusted by the carrier to avoid imputed income
- The Table I rates are:
  - Under 25 . . . .$.05
  - 25 through 29 06
  - 30 through 34 08
  - 35 through 39 09
  - 40 through 44 10
  - 45 through 49 15
  - 50 through 54 23
  - 55 through 59 43
  - 60 through 64 66
  - 65 through 69 . . . . 1.27
  - 70 and older 2.06

Required Notices

ANNUAL DISCLOSURE REQUIREMENTS

- Notice of Grandfathered Status
  - Patient Protection Disclosures
  - Notice of Waiver of Restrictions on Annual Limits
  - HIPAA Special Enrollment and Preexisting Condition Exclusion Notices
  - WHCRA Notice
  - Medicare Part D Creditable (or Non Creditable) Coverage Notice
  - Children's Health Insurance Program Reauthorization Act (CHIPRA)
  - CMS Data Collection Requirements to Enforce MSP
  - Michelle's Law
  - Wellness Program Notices
  - Summary Annual Report (SAR)
  - Notice of Opt-Out by Self-Funded, Non-Federal Governmental Plan

DISCLOSURE REQUIREMENTS FULFILLED (IN PART) BY ANNUAL NOTICES

- Initial COBRA Notices
- HIPAA Notice of Privacy Practices
- Summary Plan Description (SPD)/Summary of Material Modifications

Termination Notices

- It is important to notify the appropriate parties
  - When changing carriers
  - When changing brokers/consultants
  - When changing vendors
- The following are often overlooked
- Ancillary Coverages
  - Vision
  - Business Travel Accident
  - LTC
  - Executive Disability
  - MERP
  - State Mandated Disability (NY, NJ, CA, HI, RI, PR)
  - EAP
- Vendors
  - COBRA
  - Transit
  - FSA/DCA

Underwriting “Fine Print”

- “Payback” for early termination of policy—this is where the insurer provides some rate relief to the renewal, but reserves the right to go after this amount if the client terminates before the next renewal
- Fully Insured HRA plans (where the HRA fund is included in the billed premium) the HRA money will stay with the insurer if the client moves to another carrier. So the employer has to “re-fund” of re-establish the entire fund balances with the new carrier.
- Reduced coverage for Out of Network claims (i.e., 110% of Medicare).
- Imposing mandatory generics
- Changes in copays with renewals, such as adding or increasing urgent care copays
- Platform changes (which trigger additional changes) that become effective once plan design changes are made
- Minimum premium contracts with the entire reserve is callable at termination, and none of it gets returned regardless of the actual run-out.

Underwriting "Fine Print"

- Building in Wellness programs for Employers. Not all Employers really want these services and there's usually a load to the rates to 'include' this
- Changing the pooling level
- Certain benefits (i.e., infertility coverage) disappears from the benefit summary at renewal
- Additional benefits to monitor if transferring coverage include: bariatric surgery, TMJ benefits, Lifestyle prescription drugs.
- How the deductible works with HRA plans (is Rx included? Other services)

HRA HSA Balances

- Merger & Acquisition transactions with mid-year benefit transitions
- Calendar Year vs Plan Year
- Moving from HRA or HSA to PPO or HMO

COBRA rates for FSA/HRA

- HSA’s are not subject to COBRA; however the HDHP is

FSA

- COBRA continuation should be offered for FSA’s, subject to a special exception
- How to calculate the COBRA premium for FSA

HRA

- COBRA continuation should be offered for HRA
- Employer risk of loss can be mitigated
- How to calculate the COBRA premium for HRA

HDHP plans for new hires

- Calendar year HDHP plans are less desirable for new hires late in the plan year
- The high deductible can offset contribution savings

Debit Card Communication

- This is important for new programs AND when switching program administrators
- Debit cards only work efficiently for "fixed" costs (i.e., copays) that the administrator can program into it's system
- Situations that don't work
  - Deductibles
  - Deductible on Rx plans
  - Chiropractic services
  - Dermatology services
- Solutions include
  - limiting usage to RX copays only
  - Extensive communication
  - Vendors with good customer service skills

Contribution Tiers

- Employee contributions are an increasing part of cost containment strategy
- They are used to incent employees to enroll in certain plans, participate in wellness, opt-out of dependent coverage
- Core contributions can include the following modes:
  - Frequency—12x (monthly), 24x (bi-monthly) 26x (every two weeks)
  - Coverage status—single, employee and spouse, employee and child(ren), family
  - Plan enrollment—HMO, PPO, HRA, HSA
  - Extended eligibility—domestic partners, children up to 26 or 27?
  - Salary banding—by bracket or as a percentage of pay
  - Bundled (includes dental and/or vision) or unbundled
- And the following incentives may be applied:
  - smoker vs. non-smoker
  - wellness “lite”—engagement based
  - wellness “light”—results based
- The permutations are daunting
- And the payroll administrator wants the information before you have your renewal!