April-May 2018

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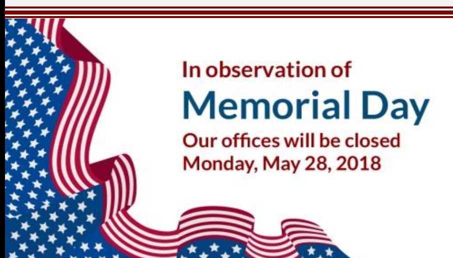


INNOVATIVE BENEFIT SOLUTIONS, INC.

F O R E F R O N T

Can the Big Boys Change Health Benefits?

Warren E. Buffett of Berkshire Hathaway, Jeff Bezos of Amazon and Jamie Dimon of JPMorgan Chase. Credit

On January 30, 2018, Amazon, Berkshire Hathaway, and JP Morgan Chase announced plans to develop a new approach to employee health care benefits. Their goal is to cut health care costs and improve services for employees and their families, which is a common goal for all of us. Specifically, this effort is focused on technological solutions that will provide employees and families with simplified, high quality, and transparent health care at a reasonable cost. This announcement received a lot of press, and at this point no details have been shared.

At IBSI, we applaud all efforts to improve the cost and quality of care to the United States health care system. Of course, the focus on technological solutions continues to interest all of us. Amazon and others continue to explore approaches that improve the cost and quality of health care by leveraging technology in the consumer and provider space. It goes without saying that we will be watching this and other new ventures closely to keep you up-to-date on developments.

Randall B. Marking
President

More Proof: Data Analytics Matter

A recent American Journal of Managed Care (AJMC) report stated large-scale medical centers have inflated outpatient oncology treatment costs substantially above what Medicare typically pays. The study reviewed billing records from more than 3,000 hospitals in 2014 to calculate a mark-up ratio compared to the Medicare allowable amount.

Of the data collected at non –profit medical centers, pathology had the highest markup, followed by radiology, and radiation oncology. Due to markup prices and specialty services, the study estimates cancer treatment costs can vary from $50,000 to $500,000.

Stating the obvious, unwarranted price markups contribute to the skyrocketing costs of health insurance and out-of-pocket costs in patients.

If you are self-funding your employer sponsored health plan, I suggest you look at your claim costs benchmarked to Medicare allowable. You might just find something of interest.

Stop Accepting *"Less Bad"* Insurance Rate Increases

Does your most recent health plan renewal eerily play out like last year's renewal or like the renewal three years ago, or does it resemble the renewal of five years ago?

The renewal game continues to unfold the same way every year:

1. The insurance carrier releases the renewal with a twelve to fourteen percent increase;
2. Your insurance expert *(who already knows there will be a negotiated reduction)*, asks you what kind of increase have you budgeted for;
3. The insurance expert negotiates to roughly near your budgeted amount;
4. Everyone is relatively happy with the results.

However, when an employer accepts the *"less bad"* rate increase, a predictable bad outcome has occurred and the organizations checkbook finds itself on the losing end yet again. This end result continues to happen because for the employer it is simple, it is easy, and there is no disruption.

Unfortunately, for many employers, such an action is like attaching a small Band-Aid on a gaping wound. Before long, it will become infected, eating away at profits, reserves, and salaries.

All employer health plan sponsors must demand more.

What about Dope?

Medical Marijuana is allowed in twenty-nine states. How does this affect your medical plan? The current volume of different state and local laws and regulations, coupled with uncertainty at the federal level, does not make it easy for administration of medical marijuana reimbursement. For national employers, the matter becomes even more complicated.

The core of the issue is that marijuana is classified by the federal government as a Schedule-1 drug. It is in the same category as heroin, LSD, ecstasy, and peyote. Because of this, it has been challenging to fund and produce research on the efficacy of medical marijuana, which is a prerequisite to being included on a prescription drug formulary.

In addition to the legal, administrative and safety issues, all will want to know if this treatment will deliver better outcomes, faster returns to work, and lower cost compared to other therapies. Concern will only grow as more states address the need to legalize medical marijuana and the number of marijuana growers increase and invest in lobbying efforts.

China Tariffs and Rx

President Trump's proposed tariffs on goods from China could lead to higher prescription drug costs in the United States.

The concern centers on increased costs of manufacturing generics and bio-similars According to the Food and Drug Administration, China is one of the largest suppliers of ingredients used to make U.S. consumed prescription drugs.

The Trump administration's list of Chinese manufactured products that could be slapped with a twenty-five percent tariff includes many ingredients used to manufacturer drugs such as insulin, anti-depressants, and the anti-allergic reaction drug epinephrine.

What we do not need is a higher drug costs in the U.S. For an administration that wants to lower drug prices, this may just produce the opposite affect.

New Pass-Through Retirement Tax Break

People looking to retire but want to keep a part-time job will benefit from a new tax law that gives a twenty-percent deduction for "pass-through entities."

A "pass through entity" is basically a business that is not a regular corporation, thus sole proprietorship, limited liability companies, and subchapter S-corporations will qualify. Earnings from a "specified service" business could also qualify if one's individual income is less than $157,500 or joint income is less than $315,000.

High Deductible Health Plans (HDHP)

High Deductible Health Plans were designed to push consumerism in the purchase of health care products and services. What we are now seeing is these plans are leading to care avoidance rather than fostering shopping and price-comparison behaviors.

We are also seeing that incentives are the key to encouraging engaged, positive health behavior, especially those aligned with factors such as diet and exercise, which consumers have far more control over than figuring out the optional cost of a hospital procedure. In short, we are seeing employers transitioning from negative to positive incentives to influence consumer behavior.

Federal Health Policy

On October 12, 2017, President Donald Trump signed an executive order intended to promote healthcare choice and competition across the United States that could affect employee benefit plans. The Order instructs various departments to consider regulations relating to three main areas: (1) association health plans ("AHPs"); (2) short-term, limited duration insurance products ("STLDI"); and (3) health reimbursement arrangements ("HRAs").

The Affordable Care Act (ACA) has changed over the past year; however, for employers, quite a lot of this law has remained unchanged and ACA provisions that are still in effect include:

- No annual or lifetime limits on essential health benefits;
- No pre-existing condition clauses;
- No excessive waiting periods;
- Expanded claims and appeal rules;
- Preventive care covered at 100%;
- Children can stay on their parents' insurance until the age of 26;
- No rescissions;
- New Summary of Benefits and Coverage (SBC) is required;
- 1094/1095 employer mandated reporting;
- Section 1557 nondiscrimination rules; and
- Certification of HIPAA compliance.

The Tax Cuts and Jobs Act (TCJA) was signed to law on December 22, 2017 and this law:

- Eliminated the individual health care coverage mandate;
- Reduced the maximum allowable family Health Savings Account (HSA) contribution *(family maximum contribution for 2018 has been changed to a maximum of $6,850)*;
- Made moving expense reimbursements taxable;
- Changed the employer deductions available for transportation benefits; and
- Delayed the "Cadillac Tax" until 2022.

Association Health Plans will enable small businesses to come together at an association level and pool their employees as a group to take advantage of the additional value and reduced administrative expenses enjoyed by larger employer group plans. The new guidance makes it easier for unrelated employers to do so, but it does not repeal the most stringent requirement, that these types of plans follow state Multiple Employer Welfare Arrangement (MEWA) rules. *(continued)*

Federal Health Policy *(continued)*

The Cadillac Tax is the nickname of the ACA's non-deductible, forty-percent excise tax. If an employers' health plan coverage is worth more than the ACA's designated baseline coverage, than the amount over the baseline cost would be applicable to this tax. However, some coverage is excluded from this tax including:

- Accident, disability income insurance;
- On-site medical clinics that only offer de Minimis care;
- Stand-alone dental and vision plans; and
- Most Employee Assistance Programs (EAP)

1094/1095 forms are still required for employers with self-funded health plans despite efforts to repeal. These forms report which employees were enrolled in their employer's health plan and whether the employer offered sufficient coverage to employees. Penalty notices have been sent to employers and many of these are due to reporting errors, such as employers checking a wrong box, and many are now filing appeals. Employers have been advised to keep their old health plan documents as they may be required to show proof sufficient levels of coverage were offered to employees.

Section 1557 is the nondiscrimination provision of the ACA. The law prohibits discrimination on the basis of race, color, national origin, sex, age, or disability in certain health programs or activities. ACA section 1557 requires that health plans receive federal financial assistance to cover gender reassignment surgery.

Biometric Data collection in 2018 should be communicated to your employees that they will receive a discount on their premiums in 2019, but not specify a specific amount. Collecting employee biometric data can present many pitfalls to employers. Depending on how biometric data is viewed through the Americans with Disabilities Act in 2019, a wellness program by today's standards may or may not be able to give a discount on premiums.

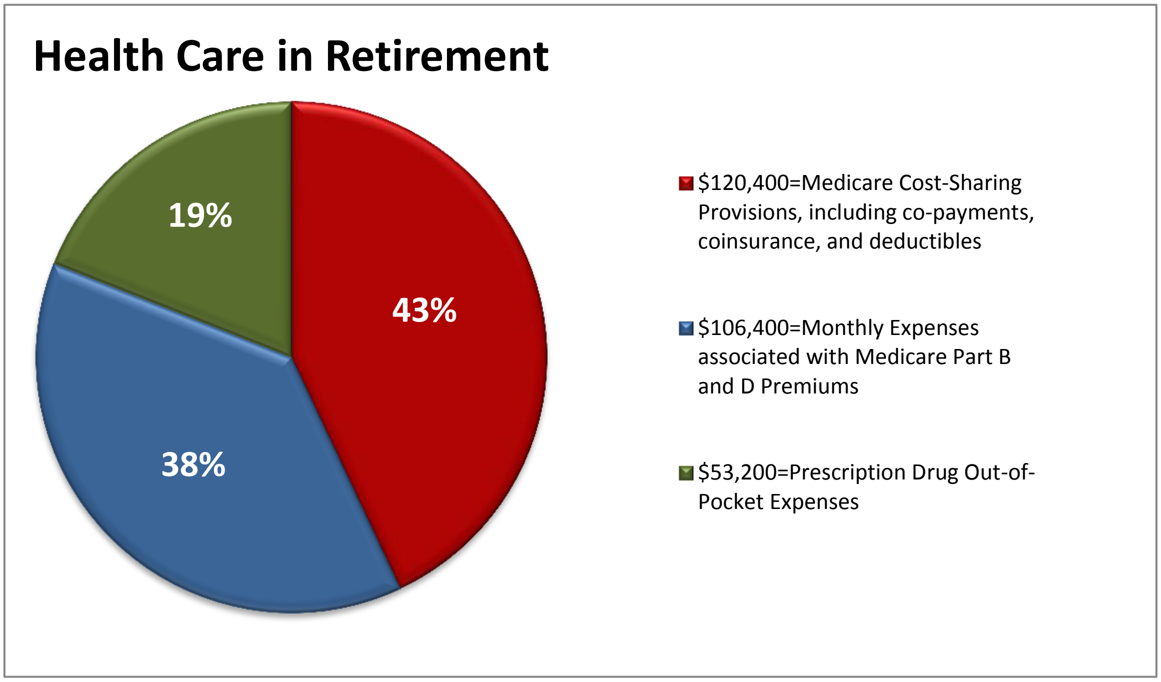
HIPAA rules are continued to be audited and enforced by the federal government. To make sure you are compliant, consider conducting an annual Health Insurance Portability and Accountability Act (HIPAA) audit. The office for Civil Rights (OCR) has begun stricter enforcement of HIPAA privacy and security rules.

Future health care outlook: Movement has been seen in a push for a bill to simplify employer reporting under the ACA. Since the individual mandate has been repealed, employer groups have questioned the need for mandated employer reporting to comply with the ACA.

This is a bill that seems to have bipartisan support and we will see where it goes.

Today's Number is $280,000

According to Fidelity Investments, the cost of health care for a sixty-five year old American couple retiring this year rose to $280,000. This figure includes life expectancies for the couple, Medicare coverage, co-pays, vision, over-the-counter medications, and dentures. However, this number does not include long-term care costs, which is extremely expensive with an unpredictable insurance market.



The U.S. Department of Health and Human Services reports that an American turning sixty-five today has a seventy percent chance of needing some type of long-term care service, which supports daily living tasks *(assistance with eating, bathing, bathroom needs).*

In 2016, the national average cost for long-term care in a United States nursing home was $225 per day/$6,975 per month, and costs for a private room in a nursing home was $253 per day/$7,843 per month. Assisted living facilities charged $119 per day/$3,689 per month, and costs for a health aid at an adult day care center for a time frame of about three hours were $20.50 per hour/$68 per day.

Medicaid will pay for more than half of these expenses for people with low income and few assets. Some nursing homes only accept Medicaid payment for a limited number of residents and each state administers its own Medicaid program with different eligibility rules.

Medicaid nursing home coverage is available only to people who are unable to care for themselves at home. An unmarried person is allowed only limited assets *($2,000 in cash, savings, stocks, or other liquid assets, life insurance policy of up to $1,500 face value, and a burial plot with a burial fund of up to $1,500).* Medicaid does not allow asset giveaways and will examine financial records for the five years prior to the application date, penalizing the applicant for any improper transfers made within that five-year period.

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FOREFRONT
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From the President

Employment Front

The labor shortage is expected to get worse as 2018 unfolds. Wisconsin already has a very low unemployment rate and pressure will continue to grow as we build out the Pleasant Prairie area.

This type of environment leaves employers with an uncomfortable dilemma of boosting pay or risk losing top workers and ending up short staffed. Competition for workers is fierce and many employees are either quitting or planning to look for a better paying job soon.

Here are some creative family-related benefit strategies for keeping top talent without breaking the bank:

- Paid time off for new mothers/fathers;
- Flexible work schedules;
- Adoption fee assistance;
- Student loan assistance;
- Compensate current workers to find quality hires ($1,000-$3,000);
- Keep communication open with top employees <u>before</u> they walk out the door;
- Sweeten overtime pay for hourly employees;
- Increase current vacation time;
- Review 401k employer match;
- Review bonus program;
- Review corporate benefits package;
- Speak with a local lender *(i.e. credit union) for employee access to $1,000 in credit for a car breakdown, health costs, etc. payed back through payroll deductions);*
- If language is a difficulty, look to work with a local nonprofit that can assist with communication;
- Many United Way organizations can help employees with information regarding housing, transportation, childcare, and other benefits.

Lining up enough new workers may also require changing hiring practices. Consider older applicants looking for part-time jobs if full-time workers are unavailable *(AARP can help you find them).* Military veterans often make good hires, despite resumes that do not always fit with a job description

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We are a privately owned insurance benefits firm specializing in the development, delivery, and implementation of employee benefits. Our primary focus is tailoring health care solutions for active and retiree populations. These solutions include our proprietary programs wrapped within a complete package of employee benefits and administration. We are a one-stop shop.

IBSI is on the cutting edge of providing benefits to active employees as well as both pre- and post-65 retirees for major employers nationwide. We offer Medicare Supplement, Major Medical, Life, Dental, Vision, and Prescription Drug Benefits on both a fully insured and self-funded basis. We integrate HMO Risk contracts and PPO's with our core solutions for the retiree segment.

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