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INC.



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February 2020



SECURE Act becomes law and some information you should know.

On December 20, 2019, the SECURE Act (Setting Every Community Up for Retirement Enhancement) was signed into law and represents some of the most sweeping plan legislation since 2006. A high-level overview of just a few key provisions are as follows:

- ✓ The legislation will require employers to permit long-term, part-time employees to participate in 401(k) plans, opening eligibility to employees that complete either 1,000 hours within a year or 500 hours each of three consecutive years.
- ✓ The SECURE Act permits participants to take penalty-free withdrawals of up to \$5,000 from a qualified retirement plan for expenses related to the birth or adoption of a child, for up to one year following such birth or adoption.
- ✓ The Act increases the age for required minimum distributions from age 70 ½ to 72, enabling certain workers and retirees to delay payouts from a retirement plan. This will not apply to participants already making such withdrawals

If you have not already done so, we encourage you to review your plan with your 401(k) specialist.

*Randall B. Marking
President*

You Need a Plan

Healthcare spending in the United States is projected to grow at an average annual rate of 5.5% from 2018 to 2027, based on estimates from the Center for Medicare & Medicaid Services published by Health Affairs.

Average yearly spending growth is estimated at 7.4% in Medicare and 5.5% in Medicaid. While cost growth in private health insurance will be lower relative to the government plans, at 4.8% that also is a faster rate of growth than we've seen over the past decade. Importantly, per-enrollee spending is expected to tick up too. According to the article, the projected increases are due in part to a post-recession positive economic forecast.

A well thought out strategy will be critical to mitigating future cost increases while ensuring employees have access to affordable, quality healthcare. A few strategies are:

- Providing care coordination and support of high cost claimants
- Using incentives to direct employees to Centers of Excellence and other high performance provider networks.
- Shifting away from traditional fee for service provider reimbursement toward new payment models that reflect the value of the services provided rather than just the quantity.

A well thought out strategy will be critical to mitigate future cost increases while ensuring employees have access to affordable, quality healthcare.



Federal Workers Paid Leave



Paid parental leave has gone mainstream. Mercer's 2018 Absence and Disability Management Survey shows that in 2018, 41% of surveyed employers offered paid parental leave, up from 25% in 2015.

Here is the interesting twist; while the paid parental leave benefit for federal employees is substantially similar to policies formed in the private sector, it does include a provision that is fairly unique. The policy for federal employees includes a requirement that the employee taking the leave return to work at the end of their parental leave. If the employee does not return, the employee will be responsible for reimbursing the government for its share of medical benefit premiums paid during the employee's paid leave. This requirement can be waived if the employee is unable to return to work for medical reasons. Private sector employees have been reticent to put teeth like this into their paid parental leave policies. Whether the federal government's approach or something similar is replicated in private sector policies remains to be seen.

ACA Tax Repealed in Spending Bill

Employers, union, and insurance companies won big with the repeal of the "Cadillac" tax on high cost benefit plans at a cost of \$200 billion over ten years as well as the repeal of the Health Insurance Tax (HIT), and the 2.3% medical device sales tax.

By axing the ACA's Cadillac health insurance, repealed effective 2021, and medical device (repealed, effective 2021) taxes, the spending package removes nearly all of the law's major funding provision, except for the employer shared responsibility assessments. The Congressional Budget Office (CBO) projects the repeals of the medical device tax would cost about \$24 billion over a decade, while the IRS estimates the repeal of the health insurance tax would amount to revenue losses of \$15.5 billion just in 2020.

Other provisions of interest to employees and health insurers in the spending legislation include:

- A one year extension of the federal tax credit for employers providing paid family and medical leave through 2020, which was originally enacted as a two year pilot program under the Tax Cuts and Jobs Act of 2017.
- A ten year extension of annual employer fees to fund the Patient-Centered Outcomes Research Institute (PCORI).
- A bipartisan drug measure that would make it easier for generic drug companies to access samples of brand named drugs.

The package does not include broader drug pricing reforms or legislation to stop surprise out-of-network medical bills, although efforts to enact these measures will continue next year.

Detractors of this legislation say that powerful specialists got just what they wanted, and they are so powerful that the \$400 billion price tag isn't paid for; just added to the deficit.





Canadian Drugs

The Trump administration is moving to allow the importation of cheaper drugs from Canada and other countries as part of its effort to reduce prescription costs. The Food and Drug Administration will announce a rule letting states develop plans to import certain drugs from Canada.

In addition, draft guidance recently released by the department of Health and Human Services would enable certain medications made and sold in other countries to be imported to the U.S.

This is good news for the American consumer.

Best Practices for Employee Health and Wellness



Which of the best practices has the strongest relationship with key health and well-being outcomes?

Organizational and Leadership support has the strongest impact. These areas are Comprehensive Programs with Program Integration:

Here are practices that drive wellness success:

- **Organizational and Leadership Support:** Demonstrate organizational commitment to health and well-being. Engage employees at all levels of the organization. Develop a strategic plan and reporting for multiple stakeholders. Target communications to diverse groups.
- **Incentives:** Offer financial incentives for specific activities. Allow benefit eligible spouses/partners to earn incentives.
- **Comprehensive Programs:** Offer individualized, population based programs in multiple channels. Offer lifestyle and disease management programs. Ensure programs include robust features, e.g. social connection. Provide tools to track health.
- **Program Integration:** Integrate programs, communications, data, and strategy. Integrate well-being programs with other employer benefits.

HSA or 401 (k)?

Many of you offer your employees two accounts for them to contribute to: a 401(k) and a Health Savings Account (HSA). When deciding whether and how much to contribute, employees will consider things like the 401 (k) match and their expected medical expenses. Employees with enough money can simply choose to take full advantage of both accounts; but for employees with more demands on their paychecks, choosing which account to fund is not a straight forward decision.

One important consideration is that diverting savings from the 401 (k) to the HSA can cost employees their 401(k) match. There is a way around this problem. Here is a solution to consider:

Allow employees to contribute to their HSA and still receive their employer's matching contribution in the 401 (k), with the match being determined by the aggregate amount of the employee's 401 (k) and pre-tax HSA contributions. This mitigates the impact to the retirement benefits that the employer is looking to provide. It also allows employees to use the HSA as a retirement savings vehicle with the security of having the money available for current medical emergencies. If the employee were to get both the employer match into the 401 (k) and the triple tax advantages from utilizing the HSA, under a 50% match scenario, the value of the benefit may be greatly enhanced.

As you might expect, there are caveats: Employers will need to be cautious in promoting this approach since they do not know each employee's tax status. In addition, employers will want to ensure they don't engage in activities that might inadvertently cause the HSA to be subject to ERISA (Employee Retirement Income Security Act). Also, employers would need to consult with legal counsel on the addition of this contribution arrangement to their 401 (k) plans.

Offering this option could help some employees avoid missing out on an important benefit because when it comes to picking an account to fund, often times both are better.



Coronavirus Infections

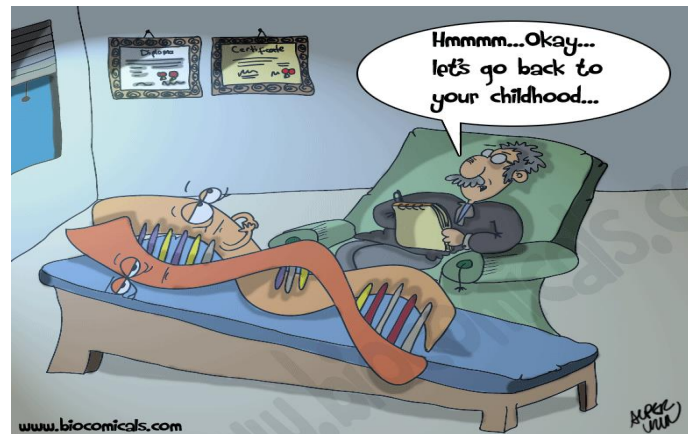
The first U.S. case of the Coronavirus spreading throughout China was confirmed on February 5, 2020 in Wisconsin. Previously, the infection has scattered to a number of states. What actions might an employer take on behalf of its employees? Certainly they should encourage people to work from home if the virus spreads to organizations and to delay any travel.

- What are the symptoms of the Coronavirus?
 - The symptoms include coughing, sneezing, fever, and difficulty breathing. The transmission of the virus is thought to be through being in close contact with someone who is actively coughing and sneezing.
- What can an individual do to prevent contracting Coronavirus?
 - The recommendations are to wash hands frequently and to not touch your hands to your mouth and nose, to stay away from those who are ill, and to be sure that you have a flu shot. The most recent study of the effectiveness of masks shows that they need to be worn correctly covering the mouth and nose.
- What should a person do who has the symptoms of the infection?
 - If they have not traveled to China or been in close proximity to someone who has the infection, it is likely that they have a cold or the flu. They should contact their health care provider for advice and stay away from others.
- What if you have been in contact with someone who gets the infection?
 - Monitor your temperature twice a day and any symptoms that develop. You should do that for two weeks to be sure that you have not developed the infection. You should contact your health care facility before arriving to prevent more exposure.

We all have an obligation to mitigate the effects of this virus.



Gene Therapy



Gene therapy could save and improve lives, but at \$2 million a pop it is out of reach for most of us. However, CVS Health plans to make the therapy accessible through employer-sponsored insurance.

In general terms, gene therapy replaces a faulty gene with a working one to treat or prevent disease. Blindness, muscular dystrophy, leukemia, and sickle cell disease are just a handful of serious illnesses gene therapy can mitigate, according to the Food and Drug Administration.

CVS Health, Cigna, and Anthem are looking to help mitigate the cost of gene therapy in the employer space. Clearly some type of “pay overtime” will have to be part of the solution. It’s currently unclear how many employers offer gene therapy in their health plans. You may want to review your health plan as to whether or not it offers such coverage.

Once gene therapy goes conventional, it will open the flood gates. These costs will affect plans and the health care system in one massive blow rather than being spread out over time.

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