Employee Benefits Report

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Donald Trump and Obamacare

Before his surprise election, President-Elect Donald Trump said he would repeal the Affordable Care Act "on Day One." However, the health care law championed by Barack Obama could prove more difficult to dismantle than Trump had imagined.

Since that time, Trump has backed off a bit from a complete repeal. By the time this issue went to press in mid-December, he had offered limited details about what changes he'd like to make. He has indicated that he plans to employ a flexible approach and would like to retain provisions covering those with pre-existing conditions.

"It is clear to any objective observer that the Affordable Care Act (ACA), which has resulted in rapidly rising premiums and deductibles, narrow networks, and health insurance, has not been a success," according to a statement on Trump's presidential

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New Overtime Rules Overturned

In late November 2016, a federal judge placed a preliminary injunction on the Department of Labor's overtime rule scheduled to go into effect on December 1, 2016. The rule would raise the salary exemption for overtime pay under the Fair Labor Standards Act (FLSA) from $23,660 to $47,476 per year. The FLSA exempts executive, administrative and professional positions from overtime pay requirements. Pay is one of the determinants of whether a position falls into this category. The Department of Labor last updated the pay standard in 2004.

A coalition of state attorneys general and business interests filed suit against the Department of Labor, saying it disregarded the requirements of the FLSA and simply adjusted pay

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transition website. “A Trump administration will work with Congress to repeal the ACA and replace it with a solution that includes Health Savings Accounts (HSAs), and returns the historic role in regulating health insurance to the states.

“The Administration’s goal will be to create a patient-centered healthcare system that promotes choice, quality and affordability with health insurance and healthcare, and take any needed action to alleviate the burdens imposed on American families and businesses by the law.”

Repeal and Replace or Amend Obamacare?

Achieving this goal, however, even with Republicans retaining their Senate and House majorities, will almost certainly require Trump to build bipartisan support—something that has proved problematic in recent years.

Currently, Republicans don’t have 60 seats in the Senate so the Democrats could filibuster any ACA repeal and replace plan. It may be possible for the Senate to use a process known as reconciliation. That only requires 50 votes to repeal the law. But experts say repealing the ACA would mean that more than 20 million people would lose health insurance coverage. As a result, any Republicans facing re-election in 2018 could be unwilling to repeal the ACA without a viable replacement plan. Another strategy Republicans might use to repeal the ACA is known as leveraging reconciliation, which would delay the repeal by 12-18 months. During this time, Republicans could work with Democrats to come to a consensus on a replacement plan.

The 310-word plan posted on Trump’s presidential transition website, which calls for protecting “innocent life from conception to natural death” and modernizing Medicare, would give states a significant role in regulating health insurance and running Medicaid health insurance programs. It’s similar to the plan Trump released in March that would allow insurers to sell plans across state lines, send Medicaid funds as block grants to states and make tax-free health savings accounts part of an estate.

Trump has said that freeing the insurance industry from the ACA would result in more affordable and accessible coverage. “The administration will also work with both Congress and the states to re-establish high-risk pools—a proven approach to ensuring access to health insurance coverage for individuals who have significant medical expenses and who have not maintained continuous coverage,” according to a statement on his website.

Benefit experts say some of his proposals will face strong opposition.

“Trump will focus on free market solutions,” Joe Ellis, senior vice president of CBIZ Benefits & Insurance Services, told *Employee Benefit News*. “The individual mandate and employer mandate will be targets of his plan, without which begins the unraveling of ACA. He will continue the restrictions on exclusions for pre-existing conditions, and make sure people with coverage will not lose it. And I believe he will re-introduce traditional underwriting in health coverage. This will not be an attempt to exclude people from but to allow insurers to assess risks and charge accordingly.”

“Because many employee benefits enjoy tax-free status—employer-provided healthcare and employer-provided retirement account for the largest annual loss in revenue to the federal treasury—it is likely that there will be a close examination of employer-sponsored fringe benefits, including retirement plans, healthcare benefits and educational assistance programs, as any part of tax reform efforts in Congress,” Lisa Horn, director of congression-al affairs for the Society for Human Resource Management, told Employee Benefit News.

requirements without looking at actual job functions, and that it exceeded its authority. The Department of Labor is considering challenging the decision.

Paul Ryan’s ‘A Better Way’ Plan

Political experts say Trump may rely heavily on House Speaker Paul Ryan’s “A Better Way” plan. Ryan’s plan would preserve employer-based insurance, provide a refundable tax credit for people to buy health insurance in the individual market, allow people to buy health plans across state lines, and protect patients with pre-existing conditions. He says it would also protect Medicare for seniors and preserve the program for future generations.

Whether Trump works closely with Ryan remains to be seen, but Trump has indicated he will work with Congress to implement a series of free-market reforms designed to “broaden healthcare access, make healthcare more affordable and improve the quality of the care available to all Americans.”

“With Obamacare, premiums are surging, companies are leaving, insurers are fleeing, doctors are quitting and deductibles are going right through the roof,” Trump said during his campaign for president.

For more information on upcoming changes to the nation’s healthcare system, please contact us.

Disability Income Insurance Protects Your Most Valuable Asset

Most people don't plan for a debilitating accident or illness during their working years. But three in 10 workers entering the work force today will become disabled before retiring. And only five percent of disabilities are work-related—meaning 95 percent of people with disabilities will not qualify for workers' compensation benefits.

Most of us know people who have faced an unexpected disability and weren't prepared. Over a worker's career, the risk of long-term disability is greater than the risk of premature death. Most workers wouldn't think of going without life insurance to protect their families. Disability income insurance protects another valuable asset—the ability to earn an income.

In the event of sickness or disability, disability income insurance offers your employees the assurance that they can continue to pay their regularly monthly bills. Disability income insurance will replace anywhere from 45-65 percent of an individual's salary if an illness or disability prevents them from working. Policyholders receive benefits free of income tax if they paid premiums themselves; if they paid only a portion of the premium and the employer paid the rest, they will receive a proportionate share of benefits tax-free.

Employers that provide disability income insurance often provide a small base amount. This might not be enough coverage for a high-paid professional with a family, for example. These individuals should consider buying additional coverage. Offering a voluntary plan in addition to an employer-paid plan can ensure that all your employees have at least a minimum amount of coverage, and makes affordable options available to those who need more. A qualified insurance agent can help you by recommending plans that meet your employees' needs and conducting enrollments for supplemental voluntary plans.

Questions to Ask Your Insurance Agent

When purchasing a group disability income insurance plan for your employees, you'll want to know the answers to these questions:

- **How much will the policy pay?** Most group disability income policies pay a benefit of about 50-60 percent of base salary. Check the policy—many do not include bonuses or incentive pay in their income calculations, which could leave salespeople and executives short of needed overage.
- **How long before the policy begins to pay benefits?** The elimination period is the length of time between the start of a disability and the time the policy begins paying benefits. It can range from 30 to 365 days. The longer the elimination period, the lower the premiums. If your organization offers short-term disability benefits or paid sick leave, you can coordinate coverages so that your long-term disability income plan begins to pay benefits after benefits from these other plans end.
- **How long will the policy pay benefits?** Once the policy begins paying benefits, it will continue to pay benefits as long as the disability lasts, until the end of the benefit period or three to six months for short-term disability income policies. For long-term disability policies, benefit periods typically end after two, five or 10 years or at the age of 65, 66 or 67.
- **How do benefits coordinate with other coverage?** Insurers limit benefits to a percentage of pre-disability salary to discourage malingering. They also include "coor-

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dination of benefits" provisions in policies to prevent injured workers from receiving more money for being out of work than they do for working. Coordination of benefits provisions reduce the benefits the policy will pay by the amounts policyholders receive in benefits from other policies. For example, if a policyholder receives workers' compensation benefits for lost time, the disability income policy might reduce benefits by the amount of these workers' compensation payments.

- **How does the policy define disability?** The definition of disability varies from company to company. Some require policyholders be unable to perform duties specific to their job. Less-lenient policies require policyholders to be unable to perform any job duties for which they are reasonably qualified before they will pay benefits. You will have to show a loss of income to receive benefits. Ask your insurance agent for specifics.
- **Do policies pay benefits for partial disabilities?** Many insurers recognize that partial disabilities are more common than total disabilities. You can obtain coverage for partial disabilities in the policy or in a rider, or policy addition. In either case, the policy provides benefits proportionate to the degree of disability or the amount of lost income.
- **Does occupational classification affect costs?** The nature of the job helps determine the price of coverage. Insurers will charge more to cover people who do manual labor than for those in professional or administrative positions. The company's prior claims experience also affects costs. For smaller groups, the insurer might require medical underwriting, or an analysis of the health of every individual insured by the plan.
- **What are some of the optional benefits?** You can add a variety of additional coverages to a disability income policy, including cost-of-living riders that protect benefits from inflation. Few insurers still offer "own-occupation" coverage on a group basis. This type of coverage expands the policy's definition of disability so it will provide coverage when insureds can't perform the essential duties of their own occupation, rather than any occupation to which they're reasonably suited. However, some individual policies still offer "own occupation" coverage. If you have professionals on staff, they might be interested in purchasing an additional individual policy with this type of coverage.

For more information on disability income insurance and its advantages, please contact us.

Health Insurance Premiums Soar over Last Decade

Over the last decade, average annual premiums workers have paid for family healthcare coverage have shot up 78 percent, while employer contributions rose 51 percent, a new report found.

From 2006 to 2016, the Kaiser Family Foundation survey of 1,900 small and large employers found worker contributions increased from $2,973 to $5,277 while employer contributions rose from $8,508 to $12,865.

Yet despite the rising costs, the survey found few employers reported changing workers' hours to avoid their responsibilities under the Affordable Care Act. In 2016, the ACA provision requiring employers with at least 50 full-time equivalent employees to offer health benefits to full-time workers or pay a penalty took full effect. The survey found 93 percent of firms with at least 50 employees offered health benefits to at least some employees, and the vast majority said their coverage meets the ACA's requirements for value and affordability.

In addition, "The survey… finds little evidence that businesses are reducing workers' hours to avoid the law's requirements to offer coverage," according to a Kaiser statement. "In fact, more employers with 50 or more full-time equivalent workers who offer coverage say they shifted or plan to shift workers' hours from part-time to full-time status to make them eligible for health benefits (7 percent) than say they shifted or plan to shift workers from full-time to part-time status to make them ineligible (2 percent)."

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Family Premiums Increased 3 Percent in 2016

The Kaiser Family Foundation/Health Research & Educational Trust (HRET) 2016 Employer Health Benefits Survey found annual family premiums for employer-sponsored health insurance rose an average of 3 percent, to $18,142 in 2016. At the same time, workers' wages (2.5 percent) and inflation (1.1 percent) grew modestly.

This year's family premium increase is similar to last year's (4 percent) and reflects a significant slowdown over the past 15 years. Since 2011, average family premiums have increased 20 percent, more slowly than the previous five years (31 percent increase from 2006 to 2011).

Workers Move into High-Deductible Plans

The trend in part reflects covered workers moving into high-deductible plans compatible with Health Savings Accounts (HSAs) or tied to health reimbursement arrangements (HRAs). These plans have lower average premiums than other plan types.

In 2016, 29 percent of all workers were in such plans, up from 20 percent in 2014, while a shrinking share of workers (48 percent in 2016, down from 58 percent in 2014) are enrolled in preferred provider organization (PPO) plans, which have higher-than-average premiums.

Partly as a result of this trend, the survey found average deductibles continued to rise for covered workers. In 2016, 83 percent of covered workers faced a deductible for single coverage, which averaged $1,478. That's up $159 or 12 percent from 2015, and $486 or 49 percent since 2011. Among all workers with deductibles, those in small firms (three to 199 employers) have higher average deductibles than those in large firms ($2,069 vs. $1,238).

For the first time, the survey also found that half (51 percent) of all covered workers faced deductibles of at least $1,000 annually for single coverage. This includes two thirds (65 percent) of workers at small firms (three to 199 workers), who typically face higher deductibles than workers at large firms (200 or more workers).

In some cases, employers make contributions to tax-preferred HSAs or HRAs, which workers can use to pay part or all of their deductible expenses, thereby reducing their effective deductible. Counting employer contributions this way would reduce the share of covered workers with deductibles of at least $1,000 to 38 percent.

"The importance of this study is its ability to inform decision makers from all sectors as new or emerging strategies for health care coverage are being constructed," said Dr. Ken Anderson, Kaiser's HRET's chief operating officer.

How does your firm's health insurance coverage compare to your competitors' and to other local employers competing for the same labor pool? Contact us for more information and an insurance review.

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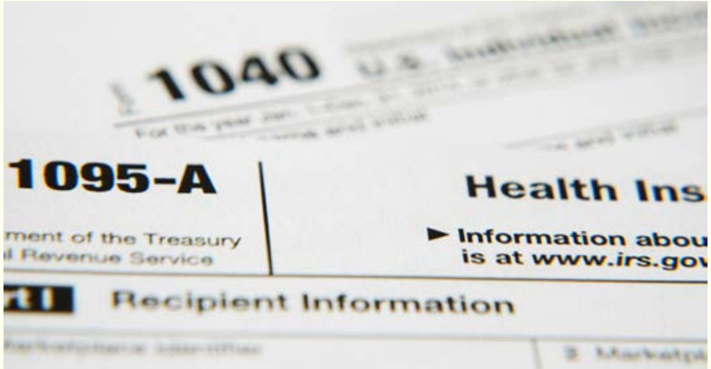
IRS Extends Due Date for Health Coverage Forms



On November 18, 2016, the IRS extended the 2017 due date for providing 2016 health coverage information forms to individuals. Insurers, self-insuring employers, other coverage providers, and applicable large employers now have until March 2, 2017 to provide Forms 1095-B or 1095-C to individuals. This is a 30-day extension from the original due date of January 31.

The Affordable Care Act requires insurers, self-insured employers and "large employers" (generally, those with 50 or more full-time equivalent employees) to provide information annually on the health insurance they provide. Any coverage provider must report minimum essential coverage offered to any individual on Form 1095-B. Employees can use the information on this form to report any qualifying health coverage they had to avoid the individual shared responsibility payment.

Applicable large employers must use Forms 1094-C and 1095-C to report information about offers and enrollments of health coverage for their employees. Form 1094-C goes to the IRS and contains summary information. Form 1095-C also goes to the IRS and is used to report information about each employee's coverage to the IRS and to the employee.

Following consultations with stakeholders, the Department of the Treasury and the IRS determined that a substantial number of employers, insurers and other providers of minimum essential coverage needed additional time to gather and analyze information and prepare the 2016 Forms 1095 B and 1095 C for individuals. The IRS did not extend the due date for filing with the IRS the 2016 Forms 1094-B, 1095-B, 1094-C, or 1095-C. These deadlines remains February 28, 2017, if not filing electronically, or March 31, 2017, if filing electronically.

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