Employee Benefits Report

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Don't Let a Flu Epidemic Take Your Business Down

A particularly virulent influenza strain, H3N2, was responsible for a record number of illnesses, hospitalizations and deaths this winter.

U.S. health officials say that flu-related hospitalizations were the highest they've been in 10 years. The Centers for Disease Control and Prevention estimated that there were almost 82 laboratory-confirmed influenza-associated hospitalizations per 100,000 population, breaking records set during the last severe flu season in 2014-2015.

The National Institute of Allergy and Infectious Diseases said the problem was exacerbated during the 2017-2018 flu season because the vaccines distributed across the country had mutated and were not effective against H3N2. The overall effectiveness of the vaccines was only 30 percent.

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Unknown Future for Wellness Program Incentive Rules

The AARP successfully challenged EEOC rules that allow employers to implement incentives for participating in workplace wellness programs — incentives worth up to 30 percent of the cost of health insurance. Employees who cannot participate must reveal personal health information explaining why they won't participate. AARP's argument is that when employees are required to disclose their protected information, they are not really in a "voluntary" program, which is inconsistent with the "voluntary" requirements of the ADA (Americans with Disabilities Act) and GINA (Genetic Information Non-

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Businesses felt the hit, too. Challenger, Gray & Christmas, an employment consulting firm, estimates the flu epidemic cost businesses $15.4 billion in lost productivity. The estimate is much higher than the $7 billion in losses suffered by businesses in 2014 during the last flu epidemic.

Employees often feel they must "tough it out' when they feel ill — which can just as often escalate the spread of the disease. Many employers are also poorly prepared for what they should do if key employees are absent. This winter, H3N2 caused an average of four sick days.

This is a good time for employers to anticipate the next flu season and create a business continuity plan in case critical business functions are interrupted.

To be prepared:

Take Precautions

- Provide no-touch trash cans, tissues and hand sanitizers that contain at least 60 percent ethyl alcohol.
- Hold an on-site clinic. Flu vaccines increase productivity and decrease absenteeism, according to the U.S. Centers for Disease Control and Prevention. Employees are more likely to get vaccinated when it's convenient. If you decide to hold an on-site clinic, the best time is early in the flu season: September or October, before the peak season, December through February.
- If you do not hold a flu shot clinic, consider giving employees paid time off to get the shot and/or cover the cost of the shots.
- It pays to educate your workforce. Post flyers about the proper way to stop the spread of germs and provide training about what to do if flu-like symptoms develop.
- Reduce the anxiety of those employees who may be afraid to get the shot. While a flu shot can produce side effects like a headache or low-grade fever, it cannot cause the flu. People who get the flu after getting a shot unfortunately already had the flu.
- Everyone benefits when an employee gets vaccinated: Coworkers as well as the person getting vaccinated.

Be Flexible

- While everyone is healthy, cross train your staff so they can cover for each other during an epidemic. This not only ensures that the work gets done, it helps employees increase their skill sets.
- During an epidemic, one tactic used to reduce the spread of viruses is to increase the number of shifts, so there are fewer people working at the jobsite at the same time.
- In worse-case situations, you might have to temporarily shut down operations and hire someone to do heavy duty cleaning of surfaces throughout your workspace.

Limit Contact

- Discourage employees who are ill from coming into the office.
- Limit person-to-person meetings. Instead, opt for conference calls or video conferencing.
- Expand work from home options when practical and appropriate.
- Reassure employees that they will not lose their jobs if they stay home because of illness or for staying home to care for a sick family member.
- Eligible employees may need to utilize the Family and Medical Leave Act, so be aware that you might have an increase in

discrimination Act).

The U.S. District Court for the District of Columbia ruled that the U.S. Equal Employment Opportunity Commission (EEOC) did not properly justify its rules regarding what is a permissible incentive under the ADA and GINA.

However, the court said it would be too disruptive to businesses that currently follow the regulations to immediately create new wellness programs. The court instead gave the EEOC until Jan. 1, 2019 to redraft the rules; after which they must vacate the current regulations.

EEOC representatives said they may take a "wait and see" approach to forming new corporate wellness rules since they don't agree the court had the power to force the agency to comply with any deadline or direct the agency to adopt any new rules.

Employers still can legally follow the rules this year, but some attorneys recommend employers closely examine their programs in light of the decision and prepare to make possible changes.

administrative duties.

- You can implement a leave donation plan so employees can donate leave to coworkers who have exhausted their paid time-off benefits.

Encourage Safe Practices

- Tell employees if there has been a reported case in the workplace. You do not need to reveal the identity of the employee. You can notify employees that contagious illnesses may be present in the workplace and list the precautionary steps suggested by medical professionals.
- Encourage employees to limit contact with each other and customers and to frequently wash hands, avoid handshakes and even wear masks if necessary.
- Encourage employees to clean shared work spaces with alcohol wipes.

Don't forget, when the threat of an epidemic is over, to notify employees that any policies or rules that were temporarily lifted, added or changed, are back to normal.

Tuition Assistance for a Better Future

Tuition assistance not only benefits your employees, it helps your company.

Tuition assistance is an employer-provided employee benefit. Employers pay all or part of an employee's cost to attend college or university classes. More than 60 percent of employers currently offer tuition assistance, according to EdAssist's Annual Review of Employer Tuition Assistance Programs. That translates to almost one million students currently receiving some type of employer tuition support.

Employers have discovered that tuition assistance can be financially beneficial for their companies. Accenture conducted a study of Cigna's tuition assistance program and found that Cigna got back $1 and saved another $1.29 for every $1 it spent.

Tuition assistance also helps recruit and retain employees. In the Cigna study, Accenture found that employees who participated were 10 percent were more likely to be promoted; and eight percent more likely to stay with the company. The additional training they get helps employees expand their on-the-job knowledge and skills and fosters an environment supporting employee education.

The popularity of tuition assistance has increased lately because of increasing higher education costs and the necessity of a post-secondary degree for many important positions. For example, a student could spend $100,000 or more to earn an MBA.

How it Works

Federal law limits how much financial assistance employers can provide their employees. Awards can be up to $5,250 for undergraduate or $8,000 for graduate programs. Employees who switch jobs and receive tuition assistance from more than one employer are not eligible for additional educational assistance beyond the cumulative $5,250 limit.

Another benefit for employees is that tuition assistance is excluded from their income — meaning they pay lower taxes.

The funds must be used for a degree program or

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courses related to the employer's business. Excluded courses include those focusing on sports, games and hobbies. Employees can use the funds for tuition, school fees, textbooks, lab fees, supplies and equipment. They cannot be used for transportation, lodging or meals. Employers, however, can pay a mileage reimbursement.

Employees' spouses or dependents are not eligible for tuition assistance. The benefit must be made available for all employees and may not favor highly compensated employees. For instance, no more than five percent of the benefits paid may go to shareholders or anyone who owns more than five percent of the company stock.

If you decide to offer tuition assistance, you can pay the benefit to employees as soon as they register for a course. Or, you can require them to fill out paperwork to be paid after they complete the course. You also can require employees to earn a C or better in the courses. At Cigna, employees can chose any college they want to attend, but they get a discount for going to one of the 35 Cigna partner colleges.

To ensure the company receives the benefits of its employees' enhanced skills, many employers ask that employees sign an agreement that they will pay back the tuition assistance if they leave the organization within a period of time, typically two to five years. ■

Making a 401(k) Plan a Reality for Your Employees

A 401(k) retirement plan is one of the most desirable and valuable benefits you can provide your employees. Having an employee retirement plan shows you care about their future and helps employees create a nest egg for a comfortable retirement.

It's also an expected benefit. According to the Society for Human Resource Management (SHRM), 94 percent of companies provide some type of retirement plan and 74 percent provided a match on some or all of the employee contributions.

In the past, only large companies could afford to start 401(k) plans. Prices are now more reasonable for small and mid-size companies. These plans are also made more affordable because contributions are tax deductible. Also, to help offset administrative fees, small businesses with fewer than 100 employees can get a tax credit for the first three years of a new plan. The credit is 50% of your ordinary and necessary eligible startup costs up to a maximum of $500 per year.

Here's what you need to know about offering a retirement plan.

Know Your Costs

The Department of Labor (DOL) offers a sample 401(k) Plan Fee Disclosure Form that you can give potential plan providers for collecting the information you need. You can download the form at https://tinyurl.com/ybxal9me.

You also should request a fee schedule with details of all costs. According to the DOL, fees fall into four categories:

- **Asset-based:** Expenses based on the amount of assets in the plan. This usually includes custodial fees ranging from two to three percent.
- **Per-person:** Expenses based upon the number of eligible employees or actual participants in the plan can range from $8 to $750 or more per month per person.
- **Transaction-based:** Expenses based on the execution of a particular plan service or transaction.
- **Flat rate:** A fixed charge that does not vary regardless of plan size.

Some employers pay all fees while others have employees pay them. Other fees include recordkeeping, investment management, consulting, advisory service, revenue sharing and fees for being a smaller company. You may also have to pay for an annual Employee Retirement Income Security Act (ERISA) bond.

Part of the cost burden can be covered by investments. Ask your vendor how they generate

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income by managing your investments and whether they receive commissions by recommending certain funds.

Determine Which Plan is Best for Your Company

Employers who have total payrolls of at least $500,000 or more than 100 employees are good candidates for a 401(k). But you don't have to choose a 401(k). If you are a small company with 100 or fewer employees, you can choose a SEP-IRA or SIMPLE-IRA.

A SEP-IRA, or "Simplified Employee Pension", is for small business owners or self-employed individuals. Only employers can contribute to this IRA. Contributions are limited to the lesser of 25% of compensation or $55,000 for 2018.

A SIMPLE-IRA, or "Savings Incentive Match Plan for Employees," is for companies with fewer than 100 employees and is the simplest plan. Simply fill out an IRS form and pay a fee. Employers have to match up to 3% of a contributing employee's salary or what's called a non-elected contribution. Employees can contribute up to $12,500 annually, as long as it's not more than their salary. And if you are over the age of 50, an additional $3,000.

Starting 2018 contributions to a 401(k) can be up to $18,500 annually or $24,500 if age 50 or older.

Determine Your Matching Contribution Level

A matching contribution level is the money the employer contributes to an employee's plan. Remember that you deduct contributions as a business expense. Employees also get a tax advantage since their own contributions are withdrawn before taxes are calculated.

If you choose a SEP-IRA, you can adjust your yearly contribution from zero to 25 percent of an employee's income depending on your annual financial situation. A SIMPLE-IRA allows a maximum three percent contribution.

You can choose the amount and percentage. Many employers will match dollar-for-dollar up to the first six percent of salary. An employee would also contribute six percent to get the full match.

Determine Your Vesting Level

Vesting is the amount of time an employee must work at your company before they receive matching funds. This is one way to encourage loyalty in a competitive job market. Employees who do not get vested can lose all or part of the matching funds.

Vesting schedules for employer contributions are of two kinds: graded and cliff.

With a graded vesting schedule, you match funds on an employee's anniversary at an increasing percentage. You might decide for example, that in the first year of employment the employee will get no matching funds, then start receiving matching funds in 20 percent increments each year thereafter until fully vested.

A cliff vesting schedule means that for a certain time, the employee is not vested at all. After that period of time, say three years — they become fully vested. Employee contributions are always vested. ■

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A Partnership With an Eye To Better Health Care

Three successful American companies decided to see if the status quo of rising health care costs and decreasing patient satisfaction can be improved.

Chief Executive Officers Jeff Bezos of Amazon; Warren Buffett of Berkshire Hathaway; and Jamie Dimon of JP Morgan Chase announced earlier this year that they created a new company tasked to find ways to transform the health care system for their combined one million employees.

Employers are watching closely to see if the new partnership between the non-medical service companies can improve health care and reduce costs for their employees. If the plan is successful, the new ideas might be something other employers could adopt.

Key among the executives' goals is increasing transparency. The Network for Regional Healthcare Improvement says that few consumers know the true cost of the services they pay for. Kevin Shulman, a professor at Duke University's medical school, said nearly $1 of every $5 (18 percent) goes to health care expenses, and that health care costs have increased almost 60 percent the last 10 years.

Though the partners released no details, there have been hints that they will put at least some of their focus on these three areas:

Technology – Amazon boasts a strong technology platform and could spur new innovations, such as artificial intelligence or new information-sharing platforms to streamline health care delivery.

Customer Service – The three executives agreed that improving patient experience and customer service will be a high priority. Amazon in particular is known for its customer service and observers are anxious to see what changes they will influence.

Administrative Costs – Almost 30 percent of health care spending goes to administrative costs. Observers believe Berkshire Hathaway, an insurance industry leader, and JP Morgan, a banking leader, will probably tackle reducing administrative costs. It remains to be seen how this strategy would be applied to other companies.

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