Employee Benefits Report

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Stepping into Lower Drug Costs

Step therapy can save money but some say there can be a downside.

One way to keep your health benefit plan's overall costs lower is to encourage employees to choose generic drugs whenever possible. The U. S. healthcare system saved $1.68 trillion from 2005 to 2014 by using generic drugs, according to the IMS Institute for Healthcare Informatics.

Many insurance carriers are doing more than just asking plan members to use generics — they require members to start with a generic or less expensive medication before moving to the brand name drug prescribed by their doctors. This process, called step therapy, is a medical management tool many insurers have used for 17 years.

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Retirement Policy Tweaks Considered

If some legislators get their way, employers will be able to help employees have a guaranteed retirement income and reduce administrative costs.

One bill, the Increasing Access to a Secure Retirement Act of 2017, is legislation introduced by Reps. Tim Walberg, R-Mich., and Lisa Blunt Rochester, D-Delaware. The bill would amend the Employee Retirement Income Security Act of 1974 (ERISA) to provide a safe harbor to select a lifetime income provider. More employees would have the opportunity to convert their retirement savings into guaranteed lifetime income using annuities.

The bill is in the U.S. House

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According to the American Academy of Dermatology, 75 percent of large employers in 2014 offered employees plans that used step therapy.

How it Works

When you or your employees have a prescription filled, the pharmacist checks a computer database to see if the prescription is a level (or tier) one, two or three. If the prescription is not a level one, you must start with level one before "stepping" up to a higher level. For instance, if you have acid reflux and your doctor prescribed a level three drug, the pharmacist is required to start you on an over-the-counter drug, such as Nexium 24-Hour. If that drug doesn't work, then you would try the next level, such as Nexium. You might eventually reach level three — the level originally prescribed — if you really need it.

Medicare has five levels in its step therapy program. A tier three drug can be four to seven times more expensive than a tier one.

The Benefits of Step Therapy

Insurance providers point out that level one drugs are proven therapies. Step therapy insures that doctors start with medications that have a long history of working before trying newer drugs.

Level one medications also are the least expensive, which helps keep premiums down. In fact, insurers argue that without step therapy to manage drug costs, insurance costs could skyrocket.

The Downside

Some patient advocacy groups say it's unrealistic to think that all patients will respond well to level one drugs. They want more regulation of step therapy. And, while some patients respond well to the first medication level, some patients' diseases get worse before they are stepped up to second tier drugs.

The Kansas Mental Health Coalition has recommended there be no step therapy for mental health medications, although the Kansas Legislature approved the use of step therapy in 2016 for Medicaid patients. According to the Coalition, research shows that interruptions in treatment result in emergency room visits, repeated hospitalizations, homelessness, incarceration and even suicide.

What the Law Says

More and more states are enacting regulations to ensure that step therapy is used safely and effectively, including allowing exceptions to step therapy under certain circumstances when a doctor believes that lower levels will not work. So far, 14 states have enacted step therapy restrictions and about 12 more currently are introducing bills.

Even without laws regulating step therapies, employees always can pay full price for second tier medication prescriptions if they don't want to use a lower level drug. Also, they can ask their doctor to request a medical necessity exception.

Please call us for more ideas about controlling your employee benefit costs.

Committee on Education and the Workforce.

Another bill, the Receiving Electronic Statements to Improve Retiree Earnings Act (also known as the RETIRE Act), has been reintroduced by Representatives Phil Roe, R-Tenn., and Jared Polis, D-Colo. It was previously introduced in 2015 and would allow employers to send retirement plan participants the required notices, disclosures and statements electronically instead of using the mail. Also, plan participants could access the information online any time. Retirees or beneficiaries who prefer paper copies could request that method.

The bill currently is in the House Committee on Education and the Workforce and the Committee on Ways and Means.

Ten Reasons to Motivate Employees to Use Their Employee Health Benefit Portal

It's not enough to give your employees the right health plan if they don't understand it. An online employee portal or self-service site can help — if employees are motivated to use it.

You put a lot of time, effort and money into choosing and purchasing the right health benefit plans for your employees. However, they can't get the maximum benefit from these plans if they don't understand the kinds of coverage or assistance available to them. Also, your plan may end up costing you more at renewal if employees don't learn enough to choose the most cost-effective provider and health care options.

According to the Office of the Actuary at the U.S. Centers for Medicare and Medicaid Services, health care spending in the United States will grow at an average annual rate of 5.8 percent from 2015 through 2025, or 1.3 percentage points higher than the expected annual increase in the gross domestic product.

Because of rapidly rising costs, many employers are searching for ways to motivate employees to make better and more cost-effective health care decisions.

That's a reason why employee on-line portal or self-service sites are becoming more popular. Insurance carriers are increasingly relying on them to deliver benefit information, wellness programing and claims information to their members. The portals also are an easy way for carriers and employers to post information about government regulation compliance.

If your employees are not signing up for the portal and reading information about their plan, they're likely not getting the most value from their plan. They might not know about free preventive services, for instance. Without this kind of information, they could choose an out-of-network provider that will cost them more. Some portals have wellness programs, which keep employer/employee costs down when employees stay healthy.

Self-service sites are also cost effective and environmentally friendly — substantially reducing paper usage. Employees who are familiar with Amazon or social media sites will have a short learning curve.

Each carrier's portal has different features, so it's important to include consideration of what carriers offer with their portals in your selection of a health benefit plan.

To help employees integrate your carrier's self-service portal into their health benefits program, encourage them to:

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1 **Learn about benefits:** They can view detailed information about benefits and promptly find out what services are covered, what the deductible is and much more.
2 **Find a provider:** If your plan is a Preferred Provider Organization (PPO), employees will get discounts on services when they use a provider that's in network. Your self-service site should have a list of providers and specialists in your area.
3 **Access information any time of the day:** No need to wait until office hours to find out if the plan covers a particular condition or service. All the information is in one place and specific to the plan.
4 **Check claims:** See if a claim was approved or denied.
5 **Review and pay bills:** Many self-service sites provide online bill payment and maintain a list of receipts.
6 **Make updates to personal information:** It's important to keep contact and other important information up to date. It's easy to do online.
7 **Seek advice:** When an employee or family member has a health issue, it's comforting to get individual guidance. Most carriers provide professional advice on what to do when there's a serious illness — such as who to go to for a second opinion or where to get care from a provider rated as a Center of Excellence. These services can save money and increase the chances of a better outcome. These advisors also can help employees understand their diagnosis or find a specialized doctor.
8 **Print or order ID cards:** New or replacement ID cards, for doctor visits, lab work or specialist consultations, are easily obtained online.
9 **Get in touch with a doctor by phone, computer or tablet:** This service goes by many names — teledoc, telehealth or telemedicine are a few. All are free or low-cost ways to talk to a board-certified physician electronically any time of the day. Some programs even give the physicians permission to prescribe medications.
10 **Participate in a wellness program:** The National Association of Heath Underwriters reports that up to 70 percent of health care spending is attributed to behavioral and lifestyle choices. Often, an online health assessment at the portal can be used by the insurance provider to direct employees to information about how to make better lifestyle decisions. Some of these wellness programs offer cash incentives for participants.

For more information about the use of online portals with your insurance plan, please contact us.

Kicking it Up a Notch — Retirement Contribution Limits Increased

That's just one of the many changes to retirement plans for 2018.

This year employees can contribute $500 more to their federally legislated retirement funds. The federal government raised contribution limits to $18,500 for 401(k), 403(b), most 457 plans, and the Thrift Savings Plan. The adjustment was made to keep up with the cost of living. Participants age 50 or older, by the end of 2018, may make additional catch-up contributions of $6,000, meaning older savers may defer up to $24,500 into their retirement plan.

This limit does not include any matching contributions made by employers.

To maintain their lifestyle, the average employee will need about 80 percent of their income after they retire. While Social Security will help, employees will need to save the rest. When you encourage employees to contribute the maximum amount to their retirement accounts, not only can they increase their retirement savings, they may qualify for tax breaks, such as the Saver's Tax Credit.

Employees who save the additional $500 and are able to earn a 7 percent annualized return can expect their $500 investment to grow to more than $3,800 over a 30-year period.

Here are some of the other changes that will affect employer sponsored retirement funds in 2018:

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401(k)

A 401(k) plan allows employees to contribute pre-tax dollars from their paycheck to an employer-sponsored retirement plan. The employee doesn't pay taxes until the money is withdrawn.

According to new federal rules, anyone who participates in a 401(k) and earns more than $73,000 ($121,000 for couples) cannot deduct an individual retirement account (IRA) contribution on their tax return. However, if only one member of the married couple has a 401(k), the couple can take the deduction until the couple's income reaches $189,000 and then the tax deduction is phased out when they earn $199,000 or more.

The catch-up contribution limit for employees age 50 and over is still $6,000. Therefore, the maximum elective deferral any employee can choose to make this year is $24,500. The overall limit for 401(k) contributions, which includes money from all sources, including employer matching contributions, increased by $1,000 to $55,000. With the catch-up contribution, a maximum combined contribution of $61,000 is allowed.

Saver's Tax Credit

The Saver's Tax Credit is a non-refundable income tax credit that could reduce federal income tax liability to $0 for employees who have a low to moderate income and are investing for their retirement through an IRA , 403(b), 457(b) and/or 401(k) plan. The Saver's Credit can be claimed along with the tax deduction for participating in a 401(k) or IRA.

Here are some retirement savings plans that also were affected by the contribution limit increase. You may not be familiar with these plans if you do not work in the public sectors:

403(b)

A 403(b) plan is a retirement plan for certain public school employees, ministers and employees working for tax-exempt organizations. These employees can invest in either annuities or mutual funds. They don't pay income tax on allowable contributions until they retire and begin making withdrawals from the plan.

457

A 457 plan is an employer-sponsored, tax favored retirement plan for state and local government employees and some nonprofit executives. Participants don't have to pay a 10 percent penalty if they withdraw funds before age 59 and a half.

Thrift Savings Plan

A Thrift Savings Plan is a retirement savings and investment plan for federal employees and members of the uniformed services.

For more information about helping employees increase their retirement savings, please contact us.

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Ways to Proactively Combat Mental Health Issues in the Workplace

Do you have employees who are depressed, anxious or addicted to alcohol or drugs? If so, do you know what to do?

In 2015, the American Psychological Association reported that a quarter of surveyed employees felt some level of depression or anxiety. These mental health issues can adversely affect a company through absenteeism, presenteeism (the employee is at work, but not productive), and turnover and training costs for replacement workers.

Many employers offer Employee Assistance Programs (EAP), which help employees who are experiencing stressful situations. Employees and family members can call for advice from a nurse or get basic legal, adoption or elder care assistance and referrals. Unfortunately, employees often do not seek assistance through the program even though their employer usually covers all the costs.

Deloitte Center for Health Solutions suggests that employers must be more proactive and should create a culture to manage mental health wellness proactively.

In 2016, the National Council for Behavioral Health adapted an Australian mental health-training program for American employees and started training managers. The program creates a culture attuned to employee well-being. Managers learn to recognize the signs and symptoms of anxiety, depression and other common mental health disorders. The idea is not to turn the managers into clinicians, but to train them as an early warning system.

In another study, the University of South Wales reported that when managers are trained to communicate regularly with employees who are home because of illness, the employees returned to work more quickly. University representatives found that manager training was cost effective and estimated that employers received $10 for every $1 spent on training by reducing work-related absences.