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## Keep Informed



# Exchanges Won't Replace Employer-Sponsored Coverage



a close look at partial self-funding as a way to sustain a benefit that they believe in.

## Employers Seek Flexibility and Value

The closer our clients get to 2014, the more they want to do everything possible to remain in a self-funded environment. Demand for self-funding on the part of groups with fully insured plans has increased steadily throughout the past year as more and more employers strive to control costs and gain the flexibility needed to adapt to drastic changes on the horizon.

Since ERISA has always had consumer protection and cost transparency at its core, self-funded plans were spared some of the punitive controls that were imposed on insurers, such as rate review and the Medical Loss Ratio. Some regulators worry that self-funded plans will undermine the ability of exchanges to spread the risk by attracting companies with healthier workforces and leaving less-healthy groups on the exchanges. Many in our industry feel this is why several states continue to try to bar stop-loss insurers from covering small groups, often those with 50 or fewer members.

After 3+ years of preparation, the new online marketplaces seem to be creating a greater level of appreciation for personal attention and a commitment to protecting clients from excessive care and cost. With these principles at the core of our mission, we remain confident in our ability to respond to the rapidly changing needs of our clients.

While a number of large employers have made headlines in recent weeks by announcing that they intend to send part-time employees or retirees to public exchanges (online marketplaces) beginning next year, the vast majority of employers surveyed by global consultants Towers Watson say they continue to view health benefits as an integral part of overall employee compensation in 2014 and beyond.

Even though the Affordable Care Act (ACA) was promoted as a way to lower costs and simplify a highly complex system, confusion and concern on the part of employers and the public seem to have increased. While many employers with fully insured plans have opted to renew early as a way to delay the impact of key health provisions that will apply for plans that renew after January 1st, others are taking



# Health Care Reform Update

## *Moving Forward to Full Implementation*

### Can FSAs Still Trim Health Spending?

Flexible Spending Accounts have been around for decades, but with the Affordable Care Act (ACA) making higher deductibles and coinsurance a way of life, many who may have ignored an FSA previously, are taking another look. Even though the ACA has limited annual FSA contributions, Washington's decision to cap out-of-pocket spending has fueled interest. Correspondingly, employers trying to help people lower out-of-pocket expenses, also realize a savings through lower employment taxes.

#### Interest Renewed

IRS regulations require that FSA claims be verified by an independent third party and because many FSAs come with a prepaid health care debit card, claims can be adjudicated and substantiated automatically, without the plan participant having to submit an itemized receipt.

Some claims, however, still require the participant to review the expenditure and make sure it will fit within the amount they have set aside pre-tax. This can go a long way in getting employees to look at what is being spent. Online services that enable consumers to compare certain providers for price and quality are adding an important feature to FSAs as well as HSAs.

If higher out-of-pocket costs force people to think about more than their ID card, then maybe FSAs will finally accomplish what they were originally intended to do – save money and create wiser health care consumers.

### Individual Mandate Regulations Finalized

Even though Congress and the President are deadlocked in a battle over the individual mandate and other aspects of the Affordable Care Act (ACA), the IRS has finalized regulations for the shared responsibility payment due from those who do not maintain minimum essential coverage beginning in 2014.

The regulations confirm that individuals who choose not to enroll in a health insurance program will have to pay a penalty of \$95 per person, per year, or 1% of income, whichever is greater. This penalty increases to \$325 per person or 2% of income in 2015 and the greater of 2.5% of income or \$695 in 2016.

#### Key Changes

The most significant changes were decisions confirming that a plan offered by an employer to an employee includes a plan offered on behalf of an employer by a third party. These include union-sponsored health plans, multiemployer plans and plans provided by a professional employer organization or employee leasing company.

The rules also clarified that self-insured group health plans were also deemed to be eligible employer-sponsored plans, regardless of whether the plan could be offered in the large or small group market in a state.

### Reform and POP Plans

According to a review of Section 125 Premium Only Plan regulations, these plans, often referred to as POP Plans, will remain effective at reducing tax liabilities for both employers and participating employees. These plans have long been used to allow employees to pay their portion of health insurance premiums with pre-tax dollars, thereby lowering their tax liability and cutting costs.

Employers have traditionally saved between 7.65% and 10% of the amount set aside by participating employees by eliminating their matching portion of federal unemployment (FUTA) and social security (FICA) taxes. Plan documents and summary plan descriptions are still required by the IRS and Department of Labor in order to allow the pre-tax deductions.



## Trends Latest Happenings in Today's World

#### More Doctors Would Pursue Different Path

In a recent conversation with a group of physicians, I was surprised to hear them quickly agree that young physicians in residence had little interest in establishing a private practice. Instead, they will seek employment with a hospital, health system or large physician group that will enable them to earn

a good living without having to make the investment or sacrifices in work-life balance that so many of their predecessors have made.

It's no wonder then, that in the 2013 Great American Physician Survey, 40% of the more than 1,700 responding physicians said that if they could go back in time, they would not become a physician at

all. Increasing interference in their practice operations and the inability to educate patients on better health strategies were the biggest reasons cited by those who were unhappy with their career choice.

#### Digital Diagnosis Tools Improve

With the number of websites and apps offering online diagnosis rising



# Independent Administration Matters More Than Ever

After speaking with our clients about health care reform, many on a daily basis, we're constantly being reminded of what remaining independent means to our firm and our clients, as together, we strive to control future health care benefit costs.

## Final Wellness Rules Issued

The U.S. Departments of the Treasury, Labor and Health and Human Services recently issued final regulations needed to implement the employer wellness program provisions of the Affordable Care Act (ACA). While the rules for participatory wellness programs are unchanged from 2006, those covering health-contingent wellness programs have been expanded.

According to the final regulations, health-contingent programs must now meet 5 requirements, as follows:

1. *Eligible individuals must be given an opportunity to qualify at least one time per year.*
2. *The reward may not exceed 30% of the total cost of employee-only coverage or 50% if the program is designed to reduce or prevent tobacco use.*
3. *The program must be designed to promote better health or prevent disease.*
4. *In activity-based programs, a reasonable alternative standard must be offered so that individuals with a medical condition are also able to earn the full reward.*
5. *The ability to meet a reasonable alternative standard and qualify for the reward must be disclosed in all materials promoting the wellness program.*

These final rules, which are effective for plan years beginning on or after January 1, 2014, apply to grandfathered and non-grandfathered group health plans, whether insured or self-insured.

**1. Experience** – After working in employee health care for many years, we know that creating relevant solutions means understanding our client's needs and using our skills to help everyone make informed decisions.

**2. Flexibility** – When you're responsible for helping employer groups manage the risks and costs of employee health care, you must be proactive, efficient and able to change in order to get things done for your client.

**3. Freedom** – As an independent TPA firm, we are able to listen to our clients, understand their needs and recommend solutions that are designed to serve the best interests of their company and their plan participants.

**4. Transparency** – When you're dedicated to cost transparency, you put your client first, you know how to identify the true cost and share the facts with everyone involved. Independence is a must.

**5. Trust** – Being independent gives us the ability to listen to our clients, understand their goals and objectives and do what's needed to solve their problems. Serving our clients rather than an insurance company is what enables us to earn our client's trust.



all the time, more and more consumers are becoming their own diagnosticians when they have a health problem. This can cause a problem when people who really need to see a medical professional fail to do so.

There are advantages to these tools, however, and some doctors are encouraging their use by directing patients to new and improved symp-

tom checkers and providing links to these tools on their own websites. Doctors at a hospital in Omaha use the professional version of Isabel Health Care, an online diagnostic checklist for doctors introduced in 2001. In addition, they added a link to the consumer version on their home page earlier this year, saying that patients who use the system come to a physician visit prepared with smarter questions.

### Role of Office Nurses Expands

With recent data showing that chronic diseases such as diabetes, hypertension and high cholesterol now account for more than 65% of all corporate health care spending, it's no wonder that the role of the office nurse is expanding. Employers now see on-site care as a way to retain staff and reduce time lost to sick days.

In 2012, more than a fourth of large U.S. employers maintained on-site medical clinics and the number is expected to grow. In addition to giving flu shots and treating things like occupational injuries and upper respiratory infections, office nurses are now conducting biometric screenings, offering primary care and helping implement wellness and chronic disease management programs.

# Did You Know? New Ideas for Healthy Consumers

## Do You See Your Total Compensation?

Many employees only consider base salary as their total compensation from their employer. They continue to remain in the dark when it comes to the amount contributed to health care and other costly benefits.

Some companies have begun using web-based services that provide employees with visual aids and educational tools, such as charts that break down the benefits the company contributes to. These can include salary, health care, defined contribution matches, incentive opportunities and even vacation time. When these numbers are clearly itemized all in one place, it helps them begin to look beyond just annual salary.



Closing this gap and giving a comprehensive look at everything that is included in their compensation can be the key to employee engagement and retention. It can also show them how much they are valued and encourage them to take full advantage of their offerings.

## Most Americans Need More Water

According to a study by the Centers for Disease Control and Prevention (CDC), the majority of Americans are not drinking enough water. Needs vary by demographics and health habits, and while there is no set rule on how much is enough, drinking less than four 8-ounce cups per day usually falls short. 43% of adults drink less than four cups of water a day, including the 7% that drink no water at all.

The human body is about 70% water and it is essential to help circulation, rid the body of toxins,

prevent constipation and simply feel better. Drinking water before meals can also help you eat less if you're trying to lose weight.

Unfortunately, pop tops the list of beverages with calories consumed by adults 19 and older, followed by sports drinks. Exposing children to drinking water at a young age, rather than pop or sugary juices, can encourage healthy habits. Simply adding water to your family's daily menu can be enough to increase lifelong enthusiasm for drinking water.

## When You Exercise Does Matter

Personal trainers and nutritionists say that a few adjustments to your schedule can have a big impact on your ability to maintain your energy level. If you like to work out in the morning, it's important to have 7 or 8 hours of sleep at night. Afternoon workouts are often viewed as the best way to provide a boost of energy that will sustain you for the afternoon hours. Evening workouts are considered fine as long as you finish 3 hours or so before bedtime.

Since our drive for sleep builds throughout the day, even a short walk or stretch will help your heart beat faster, deliver more blood and oxygen to working cells and increase the release of hormones like endorphins, reversing fatigue.

Regardless of when you exercise, breakfast is always recommended, as is drinking plenty of water throughout the day. It is always good to eat a snack before you exercise and even if you prefer to work out later in the day or evening, beginning your day by stretching is very important.

**Please Contact Us:** This newsletter is not intended as a substitute for personal medical or employee benefits advice. Please consult your physician before making decisions that may impact your personal health. Talk to your benefits administrator before implementing strategies that may impact your organization's employee benefit objectives.



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