

# Top 10 Health & Welfare Items Overlooked at Year-End

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**October 12, 2012**

  
  
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# Items Overlooked at Year-End

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- **Domestic Partner imputed Income Calculation**
- **Supplemental Life-Imputed Income Issues**
- **Required Notices**
- **Termination Notices**
- **Underwriting “fine print”**
- **HRA/HAS Balances**
- **COBRA rates for FSA & HRA**
- **HDHP plans for new hires**
- **Debit card Communication**
- **Contribution Tiers**

# Domestic Partner Imputed Income



- **Same Sex or Opposite Sex Domestic partners generate Imputed Income**
  
- **There are many potential tiers (categories) for Domestic coverage**
  - EE and DP
  - EE and DP and DP child
  - EE and DP and DP children
  - EE and Child and DP
  - EE and Child and DP and DP child
  - EE and Child and DP and DP children
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  - EE and Family and DP and children

# Domestic Partner Imputed Income



		HSA Plan - Bi-Weekly					
	Total Cost	Total Contrib.	EE Pre-tax	EE Post-tax	Total Cost-DP	Imputed Income	Annual Imputed Income
EE Only	\$168.84	\$24.45	\$24.45				
EE + Spouse	\$340.56	\$97.25	\$97.25				
EE & Child(ren)	\$298.89	\$60.72	\$60.72				
Family	\$481.31	\$145.24	\$145.54				
EE Only + DP		\$97.25	\$24.45	\$72.80	\$168.84	\$96.04	\$2,497.04
EE + Child(ren) + DP		\$145.54	\$60.72	\$84.82	\$168.84	\$84.02	\$2,184.52
		PPO Plan - Bi-Weekly					
	Total Cost	Total Contrib.	EE Pre-tax	EE Post-tax	Total Cost-DP	Imputed Income	Annual Imputed Income
EE Only	\$189.27	\$71.92	\$71.92				
EE + Spouse	\$393.00	\$165.06	\$165.06				
EE & Child(ren)	\$336.06	\$127.32	\$127.32				
Family	\$539.57	\$232.02	\$232.02				
EE Only + DP		\$165.06	\$71.92	\$93.14	\$189.27	\$96.13	\$2,499.38
EE + Child(ren) + DP		\$232.02	\$127.32	\$104.70	\$189.27	\$84.57	\$2,198.82

# Domestic Partner Imputed Income



- There are also different interpretations of the imputed income calculation
- The employer provided value of the domestic partner benefits is considered table
- The employee contribution for a domestic partner is the same as for a spouse, but the domestic partner portion of the employee contribution must be made on a post-tax basis because DPs are not considered spouses under cafeteria plan or IRS regulations
- The taxable amount of the DP benefit is the total rate for the DP coverage only, less the post-tax employee contribution for DP coverage
- The imputed income is based on the “air market value” of the coverage provided to the domestic partner. While fair market value is not specifically defined, it is generally recommended that the employer use the COBRA rate (minus the 2%) for the single coverage as that is the closest proximity to what the DP would pay out in the marketplace.

# Domestic Partner Imputed Income

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- **What to do**

- Review the possibilities
- Determine your payroll capabilities
- Ensure your enrollment system is in alignment
- Make a decision on tiers to accommodate
- Determine calculation method
- Communicate

# Supplemental Life Imputed Income



- Many Employers offer Supplemental Life coverage
- Imputed income is generated if the supplemental life rates “cross-over” the Table I rates
- The easy fix is to have the rates adjusted by the carrier to avoid imputed income

- **The Table I rates are:**

- Under 25	\$.05
- 25 through 29	.06
- 30 through 34	.08
- 35 through 39	.09
- 40 through 44	.10
- 45 through 49	.15
- 50 through 54	.23
- 55 through 59	.43
- 60 through 64	.66
- 65 through 69	1.27
- 70 and older	2.06

# Required Notices



- **Annual Disclosure Requirements:**

- Summary of Benefits and Coverage (SBC)
- Non-Profit Entity's Notice Regarding Contraceptive Coverage
- Notice of Grandfathered Status
- Patient Protection Disclosures
- Notice of Waiver of restrictions on Annual Limits
- HIPAA Special Enrollment and Preexisting Condition Exclusion Notices
- WHCRA Notice
- Medicare Part D Creditable (or Non Creditable) Coverage Notice
- Children's Health Insurance Program Reauthorization Act (CHIPRA)
- CMS Data Collection Requirements to Enforce MSP
- Michelle's Law
- Wellness Program Notices
- Summary Annual Report (SAR)
- Notice of Opt-Out by Self-Funded, Non-Federal Governmental Plan

- **Disclosure requirements Fulfilled (In Party) by Annual Notices:**

- Initial COBRA Notices
- HIPAA Notice of Privacy Practices
- Summary Plan Description (SPD) Summary of material Modifications



# Termination Notices

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- **It is important to notify the appropriate parties**
  - When changing carriers
  - When changing brokers/consultants
  - When changing vendors
- **The following are often overlooked**
- **Ancillary Coverages**
  - Vision
  - Business Travel Accident
  - LTC
  - Executive Disability
  - MERP
  - State mandated Disability (NY, NJ, CA, HI, RI, PR)
  - EAP
- **Vendors**
  - COBRA
  - Transit
  - FSA/DCA

# Underwriting “Fine Print”



- “Payback” for early termination of policy – this is where the insurer provides some rate relief to the renewal, but reserves the right to go after this amount if the client terminates before the next renewal
- Fully Insured HRA plans (where the HRA fund is included in the billed premium) the HRA money will stay with the insurer if the client moves to another carrier. So the employer has to “re-fund” or re-establish the entire fund balances with the new carrier.
- Reduced coverage for Out of Network claims (i.e., 110% of Medicare).
- Imposing mandatory generics
- Changes in co-pays with renewals, such as adding or increasing urgent care co-pays
- Platform changes (which trigger additional changes) that become effective once plan design changes are made.
- Minimum premium contracts with the entire reserve callable at termination, and none of it gets returned regardless of the actual run-out.

# Underwriting “Fine Print”

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- **Building in Wellness programs for employers. Not all Employers really want these services and there's usually a load to the rate to 'include' this**
- **Changing the pooling level**
- **Certain benefits (i.e., infertility coverage) disappear from the benefit summary at renewal**
- **Additional benefits to monitor if transferring coverage include: bariatric surgery, TMJ benefits, Lifestyle prescription drugs.**
- **How the deductible works with HRA plans (is Rx included? Other services?)**

# HRA HSA Balances

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- Merger & Acquisition transactions with mid-year benefit transitions
- Calendar Year vs Plan Year
- Moving from HRA or HSA to PPO or HMO
- 90 day claim submission cut-off period

# HDHP plans to new hires

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- Calendar year HDHP plans are less desirable for new hires late in the plan year
- The high deductible can offset contribution savings

# Debit Card Communication



- **This is important for new programs AND when switching program administrators**
  
- **Debit cards only work efficiently for “fixed” costs (i.e., co-pays) that the administrator can program into it’s system**
  
- **Situations that generally don’t work**
  - Deductibles
  - Deductible on Rx plans
  - Chiropractic services
  - Dermatology services
  
- **Solutions include**
  - Limiting usage to RX co-pays only
  - Extensive communication
  - Vendors with good customer service skills

# Contribution Tiers



- **Employee contributions are an increasing part of cost containment strategy**
- **They are used to incent employees to enroll in certain plans, participate in wellness, opt-out of dependent coverage**
- **Core contributions can include the following modes:**
  - Frequency – 12x (monthly), 24x (bi-monthly), 26x (every two weeks)
  - Coverage status – single, employee and spouse, employee and child(ren), family
  - Plan enrollment – HMO, PPO, HRA, HAS
  - Extended eligibility – domestic partners, children up to 26 or 27 or 29 or 30?
  - Salary banding – by bracket or as a percentage of pay
  - Bundled (includes dental and/or vision) or unbundled
- **And the following incentives may be applied:**
  - Smoker vs. non-smoker
  - Wellness “lite” - engagement based
  - Wellness “light” – results based
- **The permutations are daunting**
- **Changes may jeopardize Grandfathered status**
- **And the payroll administrator wants the information before you have your renewal**

# Questions ...

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- **Thank you and congratulations on your endurance.**

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