The “Not So Hidden” Costs of Health Care Reform
Taxes and Fees That Will Impact Employers’ Health Care Costs
By Gary Gustafson

There are several taxes and fees designed into the Affordable Care Act (ACA) that will impact employer costs in significant ways. Recent regulations on a couple of these taxes/fees provide enlightening clarification. We discuss a few prominent taxes and fees in brief below.

COMPARATIVE EFFECTIVENESS RESEARCH FEE OR PATIENT-CENTERED OUTCOMES RESEARCH INSTITUTE FEE

In the last few months, the IRS issued final regulations on the Comparative Effectiveness Research Fee (CERF) [also named the Patient-Centered Outcomes Research Institute (PCORI) fee] finalizing the proposed regulations from April 2012.

Purpose
Provide funding for the Patient-Centered Outcomes Research Institute created by the ACA. The Institute will study and evaluate health outcomes and the risks, benefits, and clinical effectiveness of certain medical treatments.

Key Highlights
- The fee is effective for plan years beginning October 1, 2012 or later, thru October 1, 2019.
- In year one, the fee is $1.00 per participant per year moving to $2.00 in year two and indexed thereafter, based on a per capita amount of National Health Expenditures.
- It applies to commercial insurers and plan sponsors of self-insured health care plans.
- Health plans are allowed to pay this fee on behalf of their fully insured customers, but self-insured plans are required to remit payment directly.
- The plan sponsor must state their annual fee liability on Form 720 “Quarterly Federal Excise Tax Return.”
- It includes retiree-only plans.
- The regulations allow three approaches to count employees: actual count, snapshot (there are two versions), or Form 5500 (see below).
- Payments are due July 31st of the year following the last day of the policy or plan year (first payment due July 31, 2013)

Counting Methodology
- The actual count method is the sum of participants in the plan each day of the policy year divided by the number of policy days in the year.
- The first snapshot count method is the actual number of covered lives on a particular date or dates in a quarter divided by the number of dates use.
- The other snapshot methodology allows plans to use the total number of single-only participants added to participants in other tiers multiplied by 2.35.
- The Form 5500 method is the sum of the total participants at the beginning and end of the plan year divided by two.

(Continued on page 2)
HEALTH INSURANCE INDUSTRY FEE

Purpose
The health insurance industry fee is designed to return to the federal government some of the health insurance industry gains (increased enrollment and federal subsidies) achieved from health care reform.

Key Highlights
- The total annual fee is $8 billion in 2014, increasing to $14.3 billion in 2018, and indexed to the growth of health care premium thereafter.
- Beginning in 2014, most plans will load this fee into the insured plan premiums. Health plans estimate the fee to be about 2% to 2.5% in year one, increasing to 3% to 4% in future years.
- Health plans are liable for the payment of this fee.
- It is not tax deductible, which increases the cost impact, and is not applicable to self-insured plans.
- Regulatory guidance is pending.

TRANSITIONAL REINSURANCE FEE

Purpose
The Transitional Reinsurance Fee will provide premium stabilization for insurers that offer coverage through exchanges for the first three years.

Key Highlights
- The total fee is $12 billion in 2014, decreasing to $8 billion in 2015, and $5 billion in 2016.
- The fee is payable for plan years 2014 through 2016, after which the program terminates.
- The fee is estimated to be $63 per participant including dependents for year one (2014).
- The final fee will most likely be announced late in 2014 when health plan enrollment can be more accurately estimated.
- For fully insured clients, carriers are required to pay the fee on the client’s behalf. Self-insured clients are liable for direct payment, but can engage their health plan or TPA to remit payment on their behalf.
- The regulations allow the same approaches to count employees depending on the plan type (fully insured or self-insured) as the

CERF Fee, which are: actual count, snapshot, or Form 5500 (See the Comparative Effectiveness Reach Fee – Counting Methodology above).

MEDICARE PAYROLL AND INVESTMENT INCOME TAX

Purpose
The Medicare payroll and investment income tax is designed to provide additional revenue for Medicare, by taxing high-income earners and taxing investment income.

Key Highlights
- The Medicare payroll tax applies to individuals making more than $200,000 annually or a couple making more than $250,000 annually.
- The payroll tax is 0.9% on employee earnings over the threshold amounts. There is no increased tax liability to employers.
- Employers are required to withhold the additional tax for employees making more than the threshold, but for couples employees may not have insight into household income. The onus of payment then falls on the employee in their tax filings.
- The investment income tax is 3.8% on investment income. There is no action required for employers.

WHAT THIS MEANS FOR EMPLOYERS?

Health plans will most certainly pass the cost of these fees along to their clients in the form of higher premiums. Employers will in turn share the cost, or pass the cost along to employees. Several action items all employers should take now include:
- Review your funding approach to make sure it is the most cost effective. Self-funded employers may be able to avoid the health insurance industry fee.
- Ensure compliance by confirming that a process is in place to pay the CERF by July 31, 2013.
- Work with your carriers to clarify how these fees will impact your premiums.
- Work with your payroll vendor to make sure the Medicare payroll tax on high income earners started January 1, 2013.
- If you have been participating in the Medicare Part D drug subsidy, ensure your scheduled filings are current and in line with the ACA.

If you would like to learn more, please contact Spring’s Gary Gustafson, gary.gustafson@springgroup.com with any questions or concerns.
Ryan Ralston Elected Secretary/Treasurer of CICA

Spring Consulting Group announced today that Ryan Ralston has been elected Secretary/Treasurer of the Captive Insurance Companies Association (CICA). Ralston was elected during the organization’s recent annual conference in Palm Springs, CA.

Ralston joined Spring in early 2012, and has over twenty five years of experience as a risk manager for leading companies in industries such as consumer products, oil & gas, aerospace, agriculture and green energy. He is a recognized expert in areas that focus on enterprise risk management (ERM), risk assessment, marketing insurance renewals, risk financing, broker competition & optimization, captive insurance program development, contractual risk transfer, risk quantification & pricing and organizational structure & design.

Ralston has been an active participant with CICA for over ten years, often serving as a presenter at the organization’s annual conference and a board member for the past two years. “As a long term ardent supporter of CICA, we pride ourselves on having some of the brightest and most innovative industry leaders at Spring and we see Ryan’s election to such a prestigious industry position as further validation of this,” commented Spring’s Managing Partner, Karin Landry, a former CICA board member herself.

Spring Enters 10th Year By Giving Back

Spring Consulting Group announced today that they will be celebrating their tenth year of operations in an unconventional manner. The Boston-based insurance consulting firm’s staff will forgo the typical company birthday festivities and instead focus their resources on helping a less fortunate area youth enjoy her birthday.

Spring will be working with the Newton, MA agency Birthday Wishes to provide a birthday party for a homeless two-year-old girl. Complete with Dora the Explorer decorations, goody bags and presents, the child is sure to enjoy a birthday she will never forget.

During its first nine years, Spring has enjoyed significant growth. What started out as a ten-person group of consultants in March 2004, has become an industry leader in employee benefits, risk management and wealth strategies. Spring has been recognized internationally for its innovative work and now has multiple offices across the U.S.

“Spring has enjoyed unprecedented growth and good fortune during our first nine years of operation,” commented Spring Senior Partner, Karin Landry. “Paying a small part of that success forward by celebrating our birthday through the eyes of a child in our community is exciting to us and the very least we could do to give back.”

Karin Landry Recognized as 2012 Woman to Watch

Karin Landry, Managing Partner of Spring Consulting Group, was recognized as one of Business Insurance’s 2012 Women to Watch. The Women to Watch award was created to encourage more women to break through the glass ceiling.

Each year, the Business Insurance senior editors select 25 women from hundreds of nominations from around the globe. The winners are chosen based on their notable achievements in the past five years in the areas of insurance, risk management and employee benefits, and how they have helped other women in the industry.

As one of the top 25 women to watch, Karin was interviewed by Business Insurance on topics ranging from the best-kept secret about the insurance industry to the top item on her bucket list.

Karin described the insurance field as an “ever-changing industry with new solutions emerging, where you can be creative and develop those new solutions.” She concluded by stating that “there is no reason why women cannot lead this industry.”

Karin references her creativity and stick-to-it attitude as aids in her career and encourages others entering the field to “get as many experiences in different areas of the industry as possible; by doing this we continue to push ourselves to learn, grow and become leaders. Real leaders have a broad perspective.”
PPACA’s Cadillac Tax – Start Planning Now!

By George Gonser

There is an estimated 30-33 million people that will be covered under the health care reform law (PPACA). How to pay for these people is a real concern. Additionally, depending on the immigration bill, an additional 8-10 million people may be eligible to receive partially or fully subsidized insurance. There are upwards of twenty obvious and not so obvious taxes in PPACA. Preliminary effects of the additional taxes and rating changes look to add 8-16 percent onto already high health insurance premiums.

One tax in particular I want to outline is the “Cadillac” tax coming into effect in 2018. You are probably thinking, why talk about something seemingly so far in the future? Well the tax is an onerous one and proper planning is in order to address this before 2018.

The Cadillac Tax is a non deductible PPACA tax levied on businesses for employer and employee contributions towards health insurance plans they offer their staff and families starting in 2018. In addition, the tax takes into account all employer and employee contributions towards flexible spending accounts, employer contributions for Health Savings Accounts (HSA) and finally, employer contributions for Health Reimbursement Accounts (HRA). Calculation excludes insured, stand-alone dental and vision coverage. The thresholds for the tax are $10,200 for individuals and $27,500 for families. Therefore, if your Health Insurance plan, FSA (if any), HRA (employer portion if applicable) and HSA (employer portion if applicable) is above the threshold, the employer will be subject to the 40% tax per dollar above the threshold for each employee. Yes, you read this right, the EMPLOYER will be subject to paying the tax.

Armed with this information I put together a quick analysis and used a basic HMO $25 co-pay plan and ran the numbers. I was surprised, or maybe not too surprised to find that many of our clients would hit the threshold at or around 2018. There are a few reasons why – health plans in the Northeast as more expensive than ones seen around the country. We have excellent care in the Northeast with highly regarded physicians and facilities with world class reputations. As a result, we pay more for that care. Additionally, there are a slew of mandated benefits that impact all our rates in Massachusetts to the tune of 10% or more annually. In a nutshell, our health insurance plans are expensive.

To combat the tax in 2018, there are a few strategies that need to be investigated. From down grading to a consumer directed high deductible plan to reviewing a health savings account. In addition, there has to be an investment on behalf of all employees/subscribers and families to take a more active role in their health (through wellness plans), their health care and ultimately their health insurance since all contributions of health insurance plans and flexible spending plans are part of the mix as well as employer portions of HRA and HSA funding. Some thoughts involve moving employees below the 30 hour minimum weekly work hour threshold.

As things stand now, an estimated 60% of companies nationally may be subject to the tax in 2018. This concerns all involved. Therefore, there are efforts underway to lessen the effects of the Cadillac Tax or repeal the Cadillac Tax all together. Either way, it is essential that businesses continue to plan ahead for 2018 and become an engaged, enlightened health care and insurance consumer. The time is now!

Spring has Gone Social in a Big Way!

At Spring, we are always looking for new ways to engage and share with our clients and industry peers. Naturally, social media provides us with the perfect opportunity to do so. We recently established social media channels through which we will be continuing our outreach on a more real-time basis. If you are active on any LinkedIn, Twitter or Google+ and want to read and discuss more awesome content like what is included in this newsletter, please visit our profiles listed below and Follow/Add/Connect with us!

LinkedIn  |  Twitter  |  Google+
FMLA 20 Year Anniversary
By Teri Weber

The Family Medical Leave Act (FMLA) of 1993 is celebrating 20 years of benefiting employees and frustrating employers. Although most employers agree with the basic tenants of the FMLA and giving workers protection while they manage urgent family issues it has been a labor of love to implement the regulation and maintain compliance.

This 20th birthday celebration is surrounded by two other noteworthy stories about FMLA (1) revisions that take effect on March 8, 2013 and (2) The Department of Labor (DOL) releasing results of a survey Family and Medical Leave Act in 2012: Final Report.

The revised regulations implement two primary expansions within the FMLA related to eligible veterans and airline personnel and flight crews. Beginning on March 8, 2013, eligible veterans will receive the same job-protected FMLA leave currently available to families of military service members. At the same time the revised regulations will enable more military families to qualify for a FMLA eligible absence when deployment occurs. The revised regulation also provides FMLA protection for airline flight crew employees who had difficulty meeting service requirements under prior regulations based on their unique schedules.

The DOL has provided revised posters as well as reference material related to the March 2013 changes. A comparison document highlights changes between 2008 and 2013 and is available at http://www.dol.gov/whd/fmla/213rule/comparison.htm

At Spring Consulting Group we routinely assist our clients with difficult FMLA cases, providing direction on this complex regulation. Many employers have or plan to audit their FMLA program to ensure compliance and streamline processes through an outsourced model or more efficient insourced program.

Although employers have had 20 years to get their arms around the FMLA the ambiguity within the regulation makes consistency difficult at times. Given this it was a bit surprising when the DOL related a report indicating that FMLA is making a positive impact on workers’ lives without imposing a burden on employers. The survey data suggest that most employers and employees find it easy to comply with the law which is surprising given the feedback from the market overall has been that absences linked to FMLA – especially intermittent absences – are very difficult to manage.

Data from the DOL survey indicated that 85% of employer said complying with FMLA is very easy, somewhat easy or has no noticeable effect. Data from employees yielded that approximately 13% reported taking leave for a FMLA reason in the past 12 months with only 24% being for intermittent leave.

Although the data changes when evaluating only larger employers it still highlights a sunnier view of the FMLA and absence related to this regulation than what industry experts experience. Detailed data related to the survey as well as a technical report is available within the DOL website. The FMLA Survey page can be found at http://www.dol.gov/whd/fmla/survey.

Join Us In Celebrating National Employee Benefits Day

Were you aware that National Employee Benefits Day is April 2nd? Maybe not, but we at Spring take celebrating the holiday very, very seriously.

According to the International Foundation of Employee Benefit Plans, April 2nd is a day to acknowledge “trustees, administrators, corporate benefits practitioners and professional advisors for their dedication to providing quality benefits and the important role they play in their colleagues’ well-being.”

So, not only do we celebrate all of the employee benefits pros at Spring, but we also celebrate all of you, our industry peers. Nobody knows the hard work and dedication that your job requires more than us.

Congrats everyone and enjoy YOUR day!
Coverage Duplications

By Teri Weber

As the dust settles from your January open enrollment it is a good time to reflect on the coverages selected and any overlap that may exist among your core benefit offering. Over the past few years, many insurance companies and third party administrators have begun to add enhanced services to core products. These may include nurse lines, advocacy services, employee assistance programs (EAP) and the like. Although these benefits can provide great value, they may overlap with other coverages which causes confusion and unnecessary spend. When your vendor partners provide enhanced service for “no cost” it is critical that you take the time to examine the following:

- Do I already have this service as part of another coverage that is already in place?
- If not, do I want/need this new add on service?
- Where is the cost for this service being spread and does that make sense for my population?

If I were to find a partner without this add on service would I pay less in premium and/or fees? Does this add on service really provide value to my organization and its employees?

Meeting deadlines for open enrollment can provide timelines that do not allow for aggressive review of each plan provision. Having said that, it is important that each detail be reviewed and overlap be considered and when appropriate removed. Program reviews may often highlight an overlap in plan design. For example, some programs may already include an EAP component. This is common for health plans, disability plans and life plans.

If your organization has multiple EAP programs it is likely that employees will be confused about the program and participation may actually decrease. Another common overlap within plans is a transport option which will transport employees who may be traveling home when unique circumstances arise. This may be within a health plan, life plan or business travel accident plan.

It is critical that employers highlight the value of their benefit program to employees. When plans overlap it is often difficult for employers to communicate the plan and therefore employees are not aware of the value that exists.

In addition, many employers may pay for separate programs when they have core benefits with similar coverage built into the agreed upon pricing. Work with your vendor partners to set the plan designs that work for your organization and communicate those benefits effectively. If you feel overlap exists in your offering talk with your vendor partners and link in a broker or consultant if you need assistance.