JMBrassill Group Inc.

Benefits Bulletin

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JM Brassill Group Inc.
200 Broadhollow Road, Suite 207
Melville, NY 11747
Phone: 631-390-8370
Fax: 631-390-8371
www.jmbrassillgroup.com

How Employers Can Control Health Care Costs in 2010

Employer-sponsored health care costs are expected to continue growing in 2010. Below are several strategies you may use to control your health care costs in 2010.

1. Conduct a dependent eligibility audit to weed out ineligible dependents. Begin with an amnesty period to allow employees to voluntarily remove ineligible dependents without penalty.
2. If you have retirees on your health plan, make sure your claims administrator is correctly integrating with Medicare.
3. Audit your claims administrator to ensure that all claims eligible for stop-loss reimbursement have been accurately reported to your excess risk carrier.
4. If self-insured, negotiate changes in your ASO fees to reflect probable changes in your company’s wages and salaries next year.
5. Consider offering a Consumer-Driven Health Plan (CDHP). This often comes in the form of a high-deductible health plan paired with a health savings account (HSA).
6. Examine your prescription drug plan and consider adding alternate drug plans, such as a CDHP option. Or, if you have a three-tier Rx plan, redesign the tiers to encourage lower-cost generics. Consider adding a fourth tier for pricey “lifestyle” drugs.
7. Analyze carrier data to identify common chronic diseases or conditions within your company, and implement a disease management program.
8. Routinely educate employees on smart consumerism strategies, the importance of preventive care, and the availability of low-cost medical or prescription options in your area.
9. Raise your employee deductibles, copayments and/or out-of-pocket maximums. This will encourage employees to think twice about their health care expenditures, plus will save you money.
10. Increase your use of health and wellness incentives. Offer incentives for behaviors such as taking a health risk assessment or participating in a smoking cessation, weight management or fitness program. Incentives may include gift cards, cash or discounted premiums.

COBRA Premium Subsidy Extended

The American Recovery and Reinvestment Act of 2009 included a law in which COBRA-eligible individuals who had lost group health benefits due to involuntary job loss could receive a temporary partial subsidy for COBRA premiums. This law was set to expire December 31, 2009. On December 19, President Obama signed into law an extension and expansion of the COBRA subsidy law.

- **Eligibility Period**: The eligibility period has been extended through February 28, 2010. Employees who become eligible for COBRA due to an involuntary termination during the period from September 1, 2008 through February 28, 2010 will be eligible for the subsidy (even if they don’t elect COBRA coverage until after the February 28 deadline).
- **Length of Subsidy**: The premium subsidy for Assistance Eligible Individuals (AEIs) has been extended by six months for a total of 15 months.
- **Retroactive Payments**: For AEIs whose nine-month subsidy period expired before the extension was passed, they may have either let their COBRA coverage lapse or been forced to pay the full premium amount.
    - For those that let coverage lapse, they may retroactively pay the premiums at the

    subsidized rates for an additional six months to continue their COBRA coverage. The retroactive premiums must be paid by February 17, 2010, or 30 days after the AEI receives notice, whichever is later.
  - For those who paid in full, the employer must either reimburse for the excess payment or reduce later payments to make up the difference.
- **Notice Requirements**: Plan administrators are required to provide notice of the subsidy extension to any individuals who are AEIs at any time on or after October 31, 2009. This notice must be provided by February 17, 2010. In addition, election notices sent to individuals who experience a COBRA qualifying event on or after December 19, 2009 must include information about the subsidy extension. Notices regarding the subsidy extension must also be provided to individuals specified above who either are eligible to make retroactive payments or are eligible for reimbursement.
- **Model notices will be published by the Department of Labor on or before January 18, 2010.**

Core Health Care Reform Concepts

While the House and Senate still need to work out the differences in their health care reform bills, it seems likely that any successful reform legislation will include the following employer group health plan core concepts.

- **Guaranteed Issue and Renewal**: This provision will guarantee individuals the ability to obtain new insurance coverage or continue health care coverage with the same carrier.
- **Benefit Design**: All qualified health benefits plans must offer at least an essential benefits package that includes a comprehensive set of services, covers a set percentage of the actuarial value of the covered benefits, and limits annual cost sharing.
- **Small Employer Tax Credit:** Small employers who purchase health insurance for their employees will receive a tax credit.
- **Reinsurance Program:** Creation of a temporary reinsurance program for employers providing health insurance coverage to retirees over age 55 who are not eligible for Medicare.
- **Medical Loss Ratios**: Insurers will be required to spend a set percentage on medical costs. Increases in health insurance premiums are subject to review.
- **Rescission Restrictions**: Insurers would be prohibited from withdrawing coverage from employers, except in the case of fraud or material misrepresentation.
- **Explanation of Coverage**: New requirements regarding health plan descriptive information will require changes to open enrollment material and possibly to Summary Plan Descriptions.
- **Discrimination Rules**: The health care bill will likely impose stronger nondiscrimination rules on health plans, which will put pressure on employers to prove that their plans do not discriminate.
- **Automatic Enrollment**: Many employers will be required to enroll new employees automatically in the company health plan.
- **Preexisting Conditions**: Employers will be eventually required to cover all new participants in their health plan, regardless of preexisting conditions.
- **Extended Dependent Coverage Requirements**: Employers will be required to allow employees to keep dependents on the group health plan until the age of 26 or 27.
- **Waiting Periods**: Any waiting period for new employees to receive group health coverage must not exceed 90 days, and employers that require a waiting period between 30 and 90 days may be subject to penalties.
- **Preventive Care**: Employer-sponsored health plans will be required to cover proven preventive services and eliminate cost-sharing for preventive services in Medicare and Medicaid. Health plans may be required to provide 100% coverage of certain preventive services.
- **Out-of-Pocket Limits**: Out-of-pocket limits will be established for all plan participants, similar to current high deductible health care plans.
- **Annual Limits**: Annual limits on benefits cannot be "unreasonable."
- **Lifetime Maximums**: This provision would either prohibit lifetime maximums on benefits, or at least forbid "unreasonable" lifetime limits.
- **Wellness Incentives**: Development of a national strategy to improve the nation's health. Small employers will receive grants for establishing qualified wellness programs.
- **Medical FSA Limits**: Medical flexible-spending arrangements (FSA) would have a contribution limit of $2,500 per year with the possibility of annual cost of living adjustments.
- **Over-the -Counter Drugs**: Permit only prescribed drugs to be reimbursable through a HSA, HRA, FSA, or Archer MSA.
- **HSA Withdrawals**: The tax for an impermissible tax-free withdrawal from an HSA would double to 20%.
- **Medicare Retiree Drug Subsidy Taxation**: Employers who retain retiree drug programs and receive the Medicare Part D employer subsidy would be taxed on that subsidy.
- **Medicare Part D Coverage Gap**: Increase Part D initial coverage limit by $500 to reduce the coverage gap and discount brand-name prescriptions filled in the coverage gap.
- **Employer Reporting**: Employer reporting requirements are likely to be significantly increased.