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Ideas and Information for Human Resources Professionals

Coordinated Benefits Group
Management & Strategy

HR Elements is brought to you
by **Coordinated Benefits Group**
9432 Baymeadows Road
Suite 260
Jacksonville, Florida 32256
Phone: (904) 281-0511
Fax: (904) 281-1929

In This Edition

Health Care Reform

Experts: Don't Rush into Reform Decisions

If one thing can be said about the recent health care reform law, it's that it has generated a barrage of questions for employers.

Will companies drop health care coverage and instead pay the penalty under the Patient Protection and Affordable Care Act (PPACA)? Will they drive their employees into the new state exchanges? Will the Supreme Court rule that the law is unconstitutional, throwing part or all of the law out the window?

The answers, of course, remain unknown for now. In the meantime, employers may want to consider some facts from a number of experts and recent reports about the law's possible impact on businesses and their workers.

End of Benefits? Not So Fast . . .
While conventional wisdom holds that many employers will drop their health benefits in 2014 when the major provisions of PPACA take effect, that decision wouldn't make economic sense for most, according to a new report by the Urban Institute for the Robert Wood Johnson Foundation.

That's because "employers who drop workers' coverage but fail to increase the employees' wages in order to maintain their overall compensation will inevitably lose these employees to competitors," according to a report by National Public Radio.

The law states that employers with more than 50 workers who don't offer benefits in 2014 would have to pay a penalty (ranging between $2,000 and $3,000 per worker). If a company drops coverage, it would need to pay the penalty in addition to boosting wages to offer a competitive overall compensation package. For many employers, that might cost more than sticking with a robust benefit package that will recruit and retain quality employees, the researchers noted.

Switching to Exchanges? Hold On . . .

The proposed state exchanges that would help employees find health care coverage on their own might seem to provide an easy way for companies to dump their health plans while still ensuring that their employees have some coverage.

The drawback of the exchanges, however, is they will reduce an employer's ability to affect worker health and behavior, which ultimately have a significant impact on productivity, said Troyen A. Brennan, an executive vice president with CVS Caremark, in a recent CCH report.

"Do you stay in the driver's seat and proactively manage the health and productivity of your workforce, or do you climb into the back seat and take your chances?" Brennan asked at a recent industry conference. "Absenteeism and productivity go to the bottom line."

Court Rulings? Wait and See . . .

This month, the Supreme Court announced that it would start reviewing cases involving PPACA (likely in February or March). Recently, a federal appeals court in Washington, D.C., upheld a lower court's ruling that the individual mandate created by the law is constitutional. Many observers have noted that until the high court makes a ruling, it's anybody's guess as to the long-term effects of PPACA.

Benefit Costs

Negatives vs. Positives: Companies Try Penalties to Change Behavior, Trim Costs

For years, companies have dangled incentives -- such as money, gift cards and merchandise -- in front of employees, hoping the cash and prizes would push workers to improve their health and ultimately create health care savings for employers.

Now, many employers have grown tired of playing nice.

More companies are using financial penalties to strong-arm employees into a better lifestyle, according to a new survey sponsored in part by the National Business Group on Health (NBGH). According to a report on the survey by CCH, the number of companies using penalties more than doubled from 2009 to 2011 and is expected to double again in 2012, when 38 percent of poll respondents said they expect to have penalties in place.

While the study notes that positive incentives are still playing a large part in employers' strategies, it also shows that penalties are becoming more pronounced as employers look for new ways to keep spiraling costs under control. Examples of such penalties include higher premiums for smokers or for workers who can't keep their weight or cholesterol levels under control.

Some industry critics worry that these tactics might lead to oppressive policies that might violate employees' rights, but employers say they are tired of waiting for workers to get on board and hope penalties will be the tipping point for many employees.

"Nothing else has worked to control health trends," LuAnn Heinen, vice president of NBGH, told Reuters. "A financial incentive reduces that procrastination."

As companies increasingly opt for the stick over the carrot, some employers are making a more dramatic move by trying to completely alter the way workers use health care through health "consumerism," which includes high-deductible health plans and other consumer-driven programs.

Apart from the savings created by cost-shifting with these types of plans, consumerism might actually lead to better health, which can create even more savings, according to an article in the *American Journal of Health Promotion*. The journal reported on a new study that found that employees who enrolled in "activated consumer" training -- which taught them how to successfully evaluate providers and take advantage of preventive services -- achieved equal health results compared with those who enrolled in a traditional program focused on nutrition education and exercise.

Perhaps the biggest cost-containment hurdle -- one that penalties and consumerism are designed to clear -- is that many employees remain clueless about how much their health care actually costs. A recent analysis by Kelton Research found that only 35 percent of workers with employer-sponsored care were aware of the amount of their plan's deductible and only 33 percent knew how much they contributed to their premiums, according to a *PLANSPONSOR* report.

By actively encouraging employees to change their behavior -- either through positive incentives, penalties or consumerism -- companies can tighten the leash on some of the cost pressures from health care, experts said.

"This is the next evolution in trying to squeeze costs out by not incurring them in the first place," Sean Slovenski, chief executive of the firm that oversees the rewards program for Humana, told the *Los Angeles Times*. "It's not the holy grail, but it's a giant leap forward in bending the health care cost trend."

Retirement

Employers Return Attention to Retirement Benefits

After years of enduring a sour economy, many employers with 401(k) plans now are looking ahead and trying to sweeten their plans to increase their recruitment and retention power.

For many, the first ingredient involves restoring the matching contribution -- a benefit that many employers dumped when the downturn hit. Most employers have already taken this step, according to a new industry survey reported in *Business Insurance*. Three-quarters of employers that suspended a 401(k) match have restored it, according to a poll by Towers Watson. Seventy-four percent of those employers bumped the match back to its original total. Nearly a quarter of companies (23 percent) restored the match but at a lower rate this time around.

In addition to bringing back the match, employers can mix up plan types and help provide information and support to get employees' retirement savings back on track.

For example, Roth 401(k)s, which allow employees to contribute after-tax funds, are getting serious looks from employers these days. A poll by The Profit Sharing/401(k) Council of America notes that 46 percent of employers offered this choice in 2010, compared with 18.4 percent in 2006, according to *Workforce Management*.

The Roth option may be attractive to many workers because those employees' current tax bracket likely will rise as they get older and make more money, the report said. Under that scenario, Roth participants would see savings through a lower tax bill in retirement.

Companies also can encourage their employees to fatten their retirement prospects by encouraging smart investing and finding resources to help them make the right decisions, experts said. A number of industry surveys have shown that advice from investment professionals leads participants to save more and diversify their portfolios.

Luckily for employers, many plans and benefit advisors now offer personalized, full-service advising in addition to educational materials about general investing, according to a report in *The Wall Street Journal*.

A recent survey by the Plan Sponsor Council of America noted that 58 percent of profit-sharing and 401(k) plans offered investment advice in 2010. Also, the Department of Labor recently relaxed a rule allowing providers to offer advising services directly to employees rather than having to go through a third party.

Unfortunately, employees have been slow to take advantage of either the Roth option or investment advice. For instance, only 16 percent of employees select the Roth plan when it is offered, the Profit Sharing/401(k) Council of America reports. As for investment advice, only a quarter of employees take advantage of that feature when it is available, according to the *WSJ* report.

Despite these challenges, most companies -- including small businesses -- are renewing their commitment to their retirement benefits and are working to keep the benefit attractive.

"A few years ago we'd have small-business owners who wouldn't put [retirement] high on the list of things that attract and retain employees," Rich Linton of Bank of America Merrill Lynch told *Employee Benefit News*. Now, however, companies of all sizes are crafting their benefits package to help their employees secure their financial future, Linton said.

In Brief

NO CLASS
The Obama administration abandoned its pledge to implement a federal program that would have provided long-term care (LTC) benefits to Americans as part of the health care reform law. The Community Living Assistance Services and Support (CLASS) Act would have allowed qualified participants to receive a cash benefit to offset the costs of LTC expenses. Because the program would have been voluntary, however, it likely would have become unsustainable, the administration acknowledged.

TRANSIT TAXES
The IRS has adjusted levels for the transit and parking tax breaks for 2012. Beginning Jan. 1, the excludible amount for transit passes (such as bus and train tickets) will be $125 per month, down from $230 per month in 2011. The IRS increased the 2012 qualified parking benefit from $230 per month to $240 per month.

INFLATION LIMITS
The IRS has tweaked the contribution limits for a number of employee benefits, the agency announced in October. The maximum contribution from an employee's salary for a 401(k) plan will increase to $17,000 in 2012, up from $16,500 in 2011. The overall annual limit to additions to the accounts will rise $1,000 in 2012 to $50,000, while the annual compensation limit will jump to $250,000 from $245,000. Workers with health savings accounts (HSAs) will see their maximum contribution limit increase slightly in 2012: $3,100 (from $3,050) for a single employee and $6,250 (from $6,150) for a family. The HSA catch-up contribution ($1,000) and the minimum deductibles ($1,200 for single and $2,400 for family) remain unchanged.

PROMOTION OVER PAY

Most recent graduates consider career advancement opportunities more important than compensation when choosing a job, according to a new survey. The informal poll by Deloitte at the fifth annual National MBA Human Capital Case Competition found that 64 percent picked job advancement/promotion as the most important factor when choosing a job. Compensation and benefits ranked second at 44 percent, while work environment was third at 33 percent.

W-2 NEWS

The IRS has posted a series of documents and resources to help employers understand and comply with the new Form W-2 rules. The new regulations, part of the health care reform law, require employers to report the cost of coverage of a group health plan on employees' 2012 W-2 forms to be issued in 2013. The IRS has created an official notice and a set of frequently asked questions that explain how employers should report the information. The IRS also conducted a webinar in October, and a recording of that presentation will be available on its website sometime in late November. For more information, visit:
http://www.irs.gov/newsroom
/article/0,,id=237894,00.html

WOMEN AT WORK

A new study finds that fewer women are gunning for big promotions than they were 10 years ago. The poll by *More* magazine found that only a quarter of women ages 35 to 60 said they were actively seeking promotion. Nearly three-fourths of respondents said they had no interest in their boss' job. Two-thirds noted they'd rather have more free time than higher compensation, the survey found.

SCHOOL BENEFITS

Tuition assistance programs are highly appreciated by employees who take advantage of them, according to new research by EdLink, the ROI Institute and Capella University. More than 96 percent of employees who had used tuition reimbursement programs through their employer highly valued the education they received through the benefit. More than three-quarters (77 percent) said the benefits were the driving factor that led them to seek more training and education.

PHONE A FRIEND

Many young workers prefer to get benefits advice and information from close family and friends, according to a new poll by Colonial Life & Accident Insurance Co. While 51 percent of Generation Y employees rely on their company as the primary source of benefits information, they are less likely to depend on their employer than previous generations (69 percent for those ages 34 to 44, 75 percent for those ages 45 to 54 and 71 percent of those 55 and older). Forty percent of Gen Y workers said they turn to family and friends when seeking help with benefit decisions.

TOO MUCH STRESS?

Two-thirds of employees report they suffer from high stress levels at work, a survey by ComPsych finds. More than one-quarter -- 29 percent -- said their stress levels keep them from being productive at work at least five days per year. Heavy workloads are the top culprits of stress, according to 40 percent of the respondents. People issues (33 percent), work/life issues (18 percent) and a lack of job security (9 percent) rounded out the other big stress makers.

DRUG MOVES

Employers are tinkering with their prescription drug benefits and are finding ways to trim costs, according to a new report. The paper by the Pharmacy Benefit Management Institute found that the number of four-tier plan designs increased from 17 percent in 2010 to 25 percent this year. Also, copayments for specialty drugs jumped by 37 percent in 2011 over the previous year.

MEDICARE UPDATE

Americans covered by Medicare will see their out-of-pocket expenses jump 2.1 percent in 2012, the government reported. The deductible for a 60-day hospital stay will increase to $1,156 from $1,132 in 2011. The daily copay for a stay between 61 and 90 days will rise to $289 from $283, while a stay beyond 90 days in 2012 will cost $578 per day, compared with $566 this year.

Employer Webinar

HSAs: Employer Rights and Responsibilities

Health Savings Accounts

Tuesday, Dec. 13
2 p.m. ET / 11 a.m. PT

As consumer-driven health plans continue to grow in popularity, employers need to understand their options in this area. One of those options is to offer their employees a health savings account (HSA) in combination with a high-deductible health plan (HDHP). Although HSAs carry certain advantages, they are not for everyone (or for every employer). This webinar, hosted by United Benefit Advisors and Spencer Fane Britt & Browne LLP, will examine the advantages and disadvantages of an HSA/HDHP combination.

To register or learn more, please contact us.

Tools & Services

To view your HR Web tool click on the link www.HRInsider.net . If you do not have one or have forgotten your user name and password please send a request to info@jaxbenefits.com.

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(904) 281-0511 • info@jaxbenefits.com
9432 Baymeadows Road • Suite 260 • Jacksonville • Florida • 32256