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Health Care Reform Developments in 2011

There were many developments regarding health care reform this year, as provisions took effect, guidance was announced and it was challenged in the courts. Here is a summary.

W-2 Reporting Requirements. The provision for employers to report the aggregate cost of their group health coverage on employees' Forms W-2 was delayed for large employers (250-plus employees) until the Forms W-2 for the 2012 tax year (to be issued January 2013). The rule has been made optional for smaller employers until further guidance is issued.

1099 Reporting. The requirement to expand 1099 reporting was repealed by Congress.

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HSA Popularity Continues to Rise, But May Face Challenges

Over 11.4 million Americans are currently covered by a health insurance plan that is paired with a health savings account (HSA), according to a recent census by America's Health Insurance Plans. This number is over 14 percent more than a year ago, as these plans have grown heavily in popularity over the past few years. The census also found that between January 2010 and January 2011, large group coverage was the fastest growing market for HSA plans, increasing by 26 percent.

HSA-style plans pair a high-deductible health plan (HDHP) with a health savings account, empowering employees to make smarter use of their health care dollars. The spike in popularity is due to the savings employers can realize with these plans. In addition, employees often save money through informed health spending, plus have the savings account as a potential investment tool.

Implementing an HSA plan type can be challenging. Consider the following steps if you are switching to an HSA plan type.

- **Determine your level of involvement.** Will you contract with a bank to offer the HSA or will employees have to do that

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Health Care Reform Developments in 2011, cont.

Preventive Care for Women. The law mandated that certain preventive services be covered for patients at no cost, for non-grandfathered plans. New guidelines added several women-specific services to that requirement.

Summary of Benefits and Coverage. Health plans are required to provide a summary of benefits and coverage no later than March 23, 2012. Regulations were proposed, but no final guidance has been issued.

Claims and Appeals Requirements. These requirements are already in effect for non-grandfathered plans, but amended guidance was released to help health plans achieve full compliance.

Early Retiree Reinsurance Program. Employers may no longer apply for this program, but plans that were approved to participate may continue to submit claims.

Annual Limit Waivers. For plans that were accepted into the annual limit waiver program, reapplication each year is no longer necessary. Waivers already granted will apply until the first plan year on or after Jan. 1, 2014.

Insurance Rate Reviews. Final regulations were released to establish an annual process to review large health insurance premium increases.

Health Insurance Exchanges. Proposed regulations were issued to help states design and implement their required health insurance exchanges.

Free Choice Vouchers. A requirement for employers to offer free choice vouchers for employees to buy coverage through an exchange was repealed by Congress.

Court Decisions. Several legal challenges to the law have been filed, primarily regarding the constitutionality of the individual mandate. Federal circuit courts have issued conflicting opinions about the issue, making it likely that the Supreme Court will ultimately settle it.

HSA Popularity Continues to Rise, But May Face Challenges, cont.

themselves? Will you offer payroll deductions for contributions? Will you contribute any funds to employees' accounts?

- **Create your HDHP.** Answer questions such as:
 - Will this be the only plan you offer?
 - Does the vendor require minimum participation?
 - When will you start the HDHP?
 - What will the deductible and out-of-pocket maximum be? (Remember, you need to satisfy statutory limits.)
 - Will you need to make changes to other plans to accommodate the HDHP/HSA?
- **Choose an HSA Provider.** Seek information from a number of providers before making your choice. Look at enrollment requirements, fees, services available, investment options, etc.
- **Communicate the Plan.** Educate management about the new plan, and brainstorm the best ways to promote to employees. Start educating employees well in advance of enrollment. Employees are often confused by a switch to an HSA plan type, so the more education you provide, the easier the transition will be. Explain what an HDHP/HSA plan is, how it works, what the benefits are, and contribution and distribution rules. Continue HSA education throughout the plan year, particularly in terms of how to use the plan, as it will differ significantly from traditional plans employees are familiar with.

One concern industry experts have about HSA plans is the impact of health care reform. One provision already in effect prohibits HSA funds from being used for over-the-counter medications, unless obtained with a prescription. Other provisions may also affect how HSA plans are designed in the future. Brown & Brown Benefit Advisors will keep you up to date on future health care reform developments and provisions going into effect.

Medical and Rx Cost Trends Projected to Decline in 2012

2012 medical and prescription drug plan cost trend rates are expected to decline from 2011 levels, according to the 2012 Segal Health Plan Cost Trend Survey.

Trend is a forecast of how much health care costs will rise over the next policy year. It takes into account factors such as price inflation, utilization, government regulations, and new treatments and technology. Trend is not the same as the change in actual plan costs, but there tends to be a high correlation between the two.

According to the survey, all medical plan types are projected to have lower cost trends for 2012. Prescription drug trends are also expected to decline. The survey suggests various potential reasons for the decline, including high network utilization, bigger incentives to use more cost-effective treatments, higher wellness program engagement, value-based plan designs and the weak economy.

The survey also examines historical trend rates. In 2010, the most recent year for which actual data is available, the actual trend rate declined significantly from the year before. In fact, the actual trend rate in 2010 was the lowest reported in over a decade.

It is important to remember that this decline in trend only means that the rate of increase in health care costs is slowing – but the increase is still putting financial pressure on plan sponsors. Companies should continue to implement cost-management strategies and focus on improving the health and wellness of their employee population.

Crafting a Benefits Communication Program

Part of offering a benefits package is communicating those benefits to your employees; neglecting this responsibility can have negative consequences. Not only

are you legally obligated to provide certain benefits communications, but it also helps your employees to better understand, utilize and appreciate the benefits provided to them. Here are some tips for getting started:

- Take an inventory of your benefit offerings, including administrative information and compliance requirements for each.
- Survey your employees to discover their perception of your benefits and current communications – be sure to ask where they'd like more information.
- Develop a plan that includes all required communications, plus supplementary information to further educate employees. Don't forget to inform employees and dependents of changes to your benefits, plus explain any confusing terms or features of your plans.
- Designate who will prepare each communication, along with a timeline. Choose the methods of communications you feel will be most effective.
- Determine the cost associated with providing these various communications.
- Secure executive buy-in by explaining compliance regulations and the benefits of providing additional information for employees – such as smarter usage of benefits, higher satisfaction and less time drain on HR helping employees understand unclear aspects of their benefits.
- Evaluate your communication program by surveying employees and establishing other measurable markers. Revise your program each year as needed and make sure to stay on top of changing relevant legal requirements.

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