EMPLOYEE BENEFITS UPDATE

PRESENTED TO:

MANITOWOC
CITY OF MANITOWOC
WISCONSIN, USA

PRESENTED BY:

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Associated
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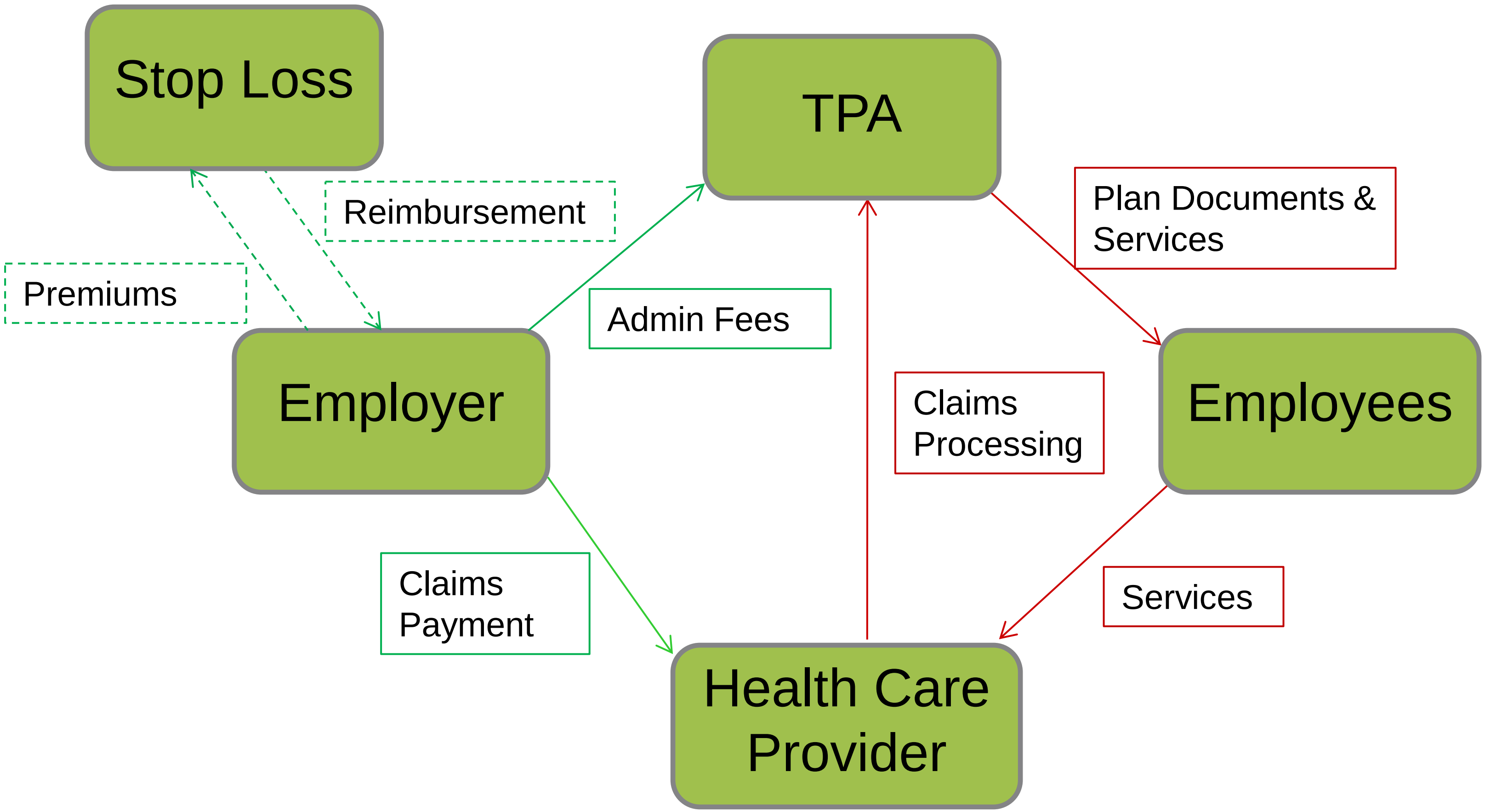
AGENDA

- Self-Funded vs. Fully Insured
- High Deductible Health Plans (HDHPs) and Health Care Savings Accounts (HSAs)
- Providing Incentives in lieu of taking Health Insurance
- 2019 Contracts to be Reviewed

PRINCIPLES OF SELF-FUNDED PLANS

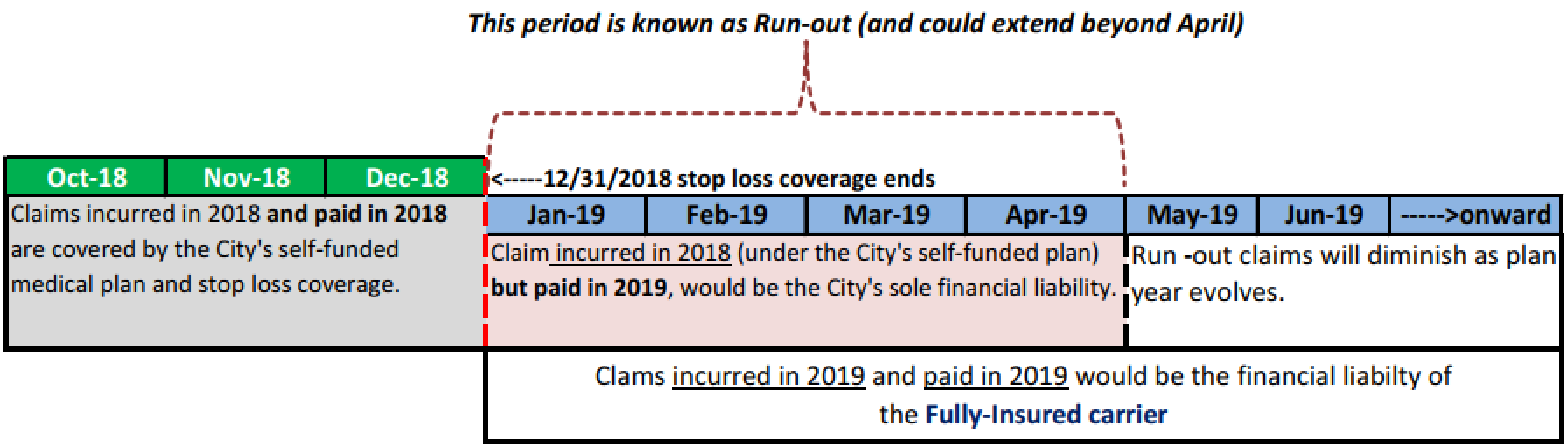


PROS/CONS OF FULLY INSURED VS. SELF-FUNDED PLANS

	Fully Insured	Self-Funded
Advantages to the employer group	• Carrier takes all risk beyond monthly premium • Carrier pays on an incurred basis – provides employer group run-out protection • Employer can budget easier without unexpected surprises • Fully insured programs have pooling component – balances large claims on employer over carrier's book of business	• Flexibility in plan design • Stop loss carriers can be moved without changing TPA, SPD, ID cards • One plan offering for multi-sited employers • Relief from state mandates, but not federal mandates (ERISA & ACA) • Cash flow advantage – 1st year claim lag and pay as you go • Potential savings if good claims experience • Reporting, access to plan information • Funds in account can benefit from interest income • **Employer Clinic** is an avenue for reducing claims costs under the City's self-funded medical plan. • Avoid most premium tax, pay on stop loss only • Avoid ACA insurer fee
Disadvantages to the employer group	• Employer will not capitalize on good claims experience – monthly and annually • Group subject to state mandated benefits • Claims data difficult to obtain • **Employer Clinic** costs do not reduce Fully-Insured premium costs – therefore all costs of clinic are in addition to fixed monthly insurance premiums.	• Own your own poor claim experience • Budgeting can be difficult • Terminating self-funded plan not easy • Added fiduciary responsibility for the employer • Catastrophic claims can limit flexibility with stop loss carriers

IMPORTANT CONSIDERATION WHEN MOVING FULLY-INSURED FROM SELF-FUNDED

- If moving to a fully-insured medical plan 1/1/2019, Stop Loss coverage would terminate 12/31/2018.
- The City would be exposed to the full financial liability for all unpaid medical claims **incurred in 2018** but paid in 2019 ---due to stop loss coverage no longer applying.
- Estimated run-out is $486,580 (17%)



HEALTH SAVINGS ACCOUNTS (HSAs)

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WHAT IS A HEALTH SAVINGS ACCOUNT (HSA)?

H
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A

PART 1:

HIGH DEDUCTIBLE HEALTH PLAN (HDHP)

Intended to cover serious illness or injury once the deductible is met.

PART 2:

HEALTH SAVINGS ACCOUNT (HSA)

Bank Account

Used to cover qualified medical expenses until the deductible is met.

WHO IS ELIGIBLE FOR AN HSA?

Any employee that:

- Is covered by an Qualified High Deductible Health Plan (HDHP).
- Is **not** covered by another non-HDHP health plan
- Is **not** enrolled in Medicare
- Cannot be claimed as a dependent on someone else's tax return

3 IMPORTANT FACTS REGARDING AN HDHP/HSA…

1. NO coverage until deductible is met. The plan could also include co-pays after the deductible for office visits (non-preventive), emergency room, and prescription drugs.

2. All out-of-pocket expenses count toward the plan's deductible and out-of-pocket maximum.

3. Preventive healthcare is covered at 100%. The plan could also be designed to pay 100% of certain preventive drugs.

ADVANTAGES OF AN HDHP/HSA

- Ownership - you own the funds in your HSA
- Tax-free
- Portable
- No “use it or lose it”
- You can change your employee contribution amount throughout the year.
- You can choose to invest your savings in an investment account.

Employer Advantages of an HSA - Keeps healthcare cost down through consumerism

- Employees become aware of actual costs
- Rewards efficient use of health care services
- Promotes good health and wellness

WHO IS HELD RESPONSIBLE FOR THE HSA?

The Account Owner

- Banks submit information to the IRS each year to report contributions and withdrawals
- Account owners need to report withdrawals on your federal income tax forms
- Individuals who establish an HSA should maintain records of their medical expenses to show the distributions have been made exclusively for qualified medical expenses

WHAT IS ELIGIBLE FOR TAX-FREE DISTRIBUTION?

- Qualified medical expenses – IRS Publication 502
- Dental and vision expenses
- Long-term care insurance
- Premiums for coverage while receiving unemployment compensation.

HEALTH SAVINGS ACCOUNTS (HSA) AND FLEX SPENDING ACCOUNTS (FSA)

One of the qualifications to have an HSA is that you are not covered by any other low deductible insurance – this includes an FSA.

Therefore, if you enroll in an HSA Account, you may **not** participate in a Standard FSA Plan. However, you may enroll in a Limited FSA which can be used to reimburse Dental & Vision expenses ONLY.

You may still participate in the dependent care account.

HSA CONTRIBUTIONS

Maximum Contribution Limits

IRS Requirements for 2018		
	Single Plan	Family Plan
Contribution Limit (Calendar Year)		
2017	$3,400	$6,750
2018	$3,450	$6,900
Catch-up Contribution (age 55 and older)	$1,000	$1,000

- Contribution limits include employee & employer contributions
- Employee may change payroll deduction to pre-tax HSA contributions as allowed by employer
- Catch-up contributions (adjusted annually) for account owners 55+

  2018 = $1,000

HSA WITHDRAWALS & DISTRIBUTIONS

- Federal tax treatment :

Expense Type	Age	Tax Treatment
Qualified medical expense	Any	Tax-free
Non-medical expense	Over 65	Ordinary tax
Non-medical expense	Under 65	Ordinary tax + 20% penalty

HIGH DEDUCTIBLE HEALTH PLAN (HDHP) & HEALTH SAVINGS ACCOUNTS (HSAs)

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Current Design vs. HDHP/HSA

Service	Current Plan Design	HDHP/HSA Example
Annual Deductible Limit In-Network (Single/Family) *Out-of-Network (Single/Family)	*Embedded Deductible* $1750 / $3500 $3500 / $7000	*Non-Embedded Deductible* $1750 / $3500 $3500 / $7000
Coinsurance In-Network *Out-of-Network	80% 60%	80% 60%
Annual Medical Plan Out-of-Pocket Maximum In-Network (Single/Family) *Out-of-Network (Single/Family) *Prescription drugs also subject to Separate Pharmacy Out of Max. Out of Pocket Maximum*	$4000 / $8000 $8000 / $16000 *Includes Deductible*	$4000 / $8000 $8000 / $16000 *Includes Deductible*
Preventive Care In-Network *Out-of-Network	100%, no deductible 60%, after deductible	100%, no deductible 60%, after deductible
Primary Care Office Visits In- Network *Out-of-Network	$40 copay, 100% 60% after deductible	80%, after deductible 60%, after deductible
Specialist Office Visits In-Network *Out-of-Network	$65 copay, 100% 60% after deductible	80%, after deductible 60%, after deductible
Urgent Care Office Visits In- Network *Out-of-Network	$90 copay, 100% 60% after deductible	80%, after deductible 60%, after deductible

Current Plan Design vs. HDHP/HSA..

Service	Current Plan Design	HDHP/HSA Example
Outpatient Hospital Services *(Includes Labs and X-rays)* In-Network *Out-of-Network	80%, after deductible 60%, after deductible	80%, after deductible 60%,after deductible
Inpatient Hospital Services *(Includes Labs and X-rays)* In-Network *Out-of-Network	80% after deductible 60% after deductible	80% after deductible 60% after deductible
Emergency Treatment in Emergency Room *(Includes Labs and X-rays)*	$200 co-pay, 80%	80%, after deductible
Prescription drugs – Retail Pharmacy (30 days)** Generic/Brand/Non-formulary brand/ Specialty Medications-Injectables **Prescription drugs – Mail Order (90 days)** Generic/Brand/Non-formulary brand/ Specialty Medications-Injectables	$10/$40/$60/ 20% to $125 max. ($75 min.) $20/$80/$120/ 20% to $125 max. ($75 min.)	80%, after deductible 80%, after deductible
Annual Pharmacy Out-of-Pocket Maximum	$2500/$5000	NA
***Continues to apply: Mail order is not covered out-of-network. Specialty drugs must be received via Express Scripts specialty mail order and are limited to a 30 day supply.*		

CURRENT NEAR-SITE CLINIC BENEFITS AND HSAs

- When an employer arranges or reimburses medical care for free, such services typically are considered Non-HDHP coverage, which disqualifies the employee from making or receiving HSA contributions.

- Currently, City employees and family members covered by the City's medical plan, can receive no cost health care when receiving care at the MHWC.

- If a HDHP/HSA is implemented, services rendered at the MHCW should be charged a fair market value for care received to ensure HSA eligibility is not adversely impacted.
  - As an example, a $25.00 co-pay per visit at the MHWC could be considered.

CASH IN LIEU OF BENEFITS

Some employers offer employees a cash payment if they waive coverage under the health plan.

While the cash in lieu of benefits practice is legal, there are number of factors to consider before implementing.

- Employees who opt for cash in lieu, usually have the option of being covered under a spouses plan.
  - Adverse selection can occur (employees who really need coverage will stay on the employers plan while those who may not need coverage may opt for the cash in lieu).
  - The city would have to pay cash in lieu costs to all employees who currently waive medical coverage (23 employee's today currently waive medical benefits).
- ACA Compliance Considerations
  - To ensure Employer Shared Responsibility compliance, the **monthly cash amount allocated to the cash in lieu of benefits** option <u>must be added to</u> the **monthly cost of the employee contribution** to determine if the sum is affordable as defined by the ACA. If not affordable, the employer may be subject to ACA Employer Shared Responsibility penalties.
- Wages and the Fair Labor Standards Act (FLSA) Considerations *[pending legislation]*
  - Cash in lieu may need to be considered part of regular pay which is to be included in overtime pay calculations. Employers with non-exempt, overtime eligible employees should carefully study the FLSA definition of regular pay when considering a cash in lieu of benefits option.

CONTRACTS TO BE REVIEWED IN THE NEAR FUTURE

- The Manty Health & Wellness Clinic agreement is up for renewal (1/1/2019).
- **Self-funded** Proposals from Health Partners, UMR, GHT/WCA, and individual Third Party Administrators (TPAs) are being initiated in order to compare to the 1/1/2019 renewal from Anthem.
- Review Go365 renewal and wellness programing

QUESTIONS?

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IMPORTANT DISCLOSURES

Investments, securities and insurance products:

NOT FDIC INSURED	NOT BANK GUARANTEED	MAY LOSE VALUE	NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY	NOT A DEPOSIT

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