HRElements

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Ideas and Information for Human Resources Professionals

HR Elements
is brought to you
by **LHD Benefits**

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In This Edition

Enrollment

Claims Review Process, Other Provisions May Complicate 2011 Enrollment

Employers face a slew of new benefits-related compliance challenges in the wake of recent health care reform legislation. Some provisions take effect on Sept. 23, meaning employers with calendar-year plans need to acknowledge those changes during this year's enrollment season.

One of the provisions of the Patient Protection and Affordable Care Act (PPACA) -- regarding the review of benefit claims and appeals -- could bring some significant changes to employers' plans, especially those who offer self-funded group plans.

Under PPACA, employees must have the ability to request a "federal external review" of coverage if a claim or benefit is denied by an internal view. This includes workers under a nongrandfathered self-funded group plan. These external reviews must be conducted by an accredited independent review organization.

However, self-funded employers received some help in August when federal agencies issued Technical Release 2010-01 that creates an interim safe harbor.

According to *PLANSPONSOR*, the IRS and Department of Labor won't take any action against a self-insured group health plan as long as it:

- Complies with the procedures outlined in the Technical Release (based on the Uniform Health Carrier External Review Model Act, crafted by the National Association of Insurance Commissioners [NAIC Model Act] in July), or

- Voluntarily complies with the provisions of a state external review process if a state chooses to expand access to plans that are not subject to the applicable state laws.

The Department of Health and Human Services has stated it plans to issue guidance on which state laws satisfy the NAIC Model Act by July 1, 2011.

The Technical Release can be downloaded here:
http://www.dol.gov/ebsa/pdf/
ACATechnicalRelease2010-01.pdf

Other PPACA Changes - Nongrandfathered Plans

In addition to the claims appeals rules, employers with nongrandfathered plans -- fully insured and self-funded -- also must contend with a number of other new provisions this enrollment season, according to *Employee Benefit News*. Changes for plan years beginning on or after Sept. 23 include:

Adult children coverage: Plans must offer coverage to employees' adult children up to age 26. (Grandfathered plans are exempt if the adult child is eligible for other employer-sponsored coverage.)

Preventive services: Plans must provide full coverage for "evidence-based" preventive care, certain immunizations and some health screening procedures for women.

PPACA Changes for All Plans

All employers, including those who choose to grandfather their plans, must comply with the following for plans that begin after Sept. 23:

Annual limits: Only "restricted" limits can be assigned to health plans "except for per beneficiary annual limits on nonessential health benefits," according to *EBN*.

Lifetime limits: Such limits are prohibited except for services that are not "essential health benefits."

Pre-existing conditions: Exclusions are not allowed for covered children younger than 19.

Rescission: Coverage cannot be cancelled except for fraud. However, this does not prevent an employer from terminating a plan.

CDHPs

CDHPs Fall Behind HMOs in Employee Enrollment as Growth Slows

The number of consumer-driven health plans (CDHPs) offered continued to climb in 2010, but the plans ran a little short on steam when compared with HMOs in terms of total employees covered, according to a new study.

CDHPs grew at a rate of 18.1 percent this past year (about half that of 2009), but they no longer cover more employees (12.4 percent) than HMO plans (15.4 percent), according to preliminary results released by United Benefit Advisors (UBA) from its 2010 UBA Health Plan Survey, the nation's largest health plan benchmarking survey, with 17,113 plans from 11,413 employers.

The Northeast region of the country had the largest concentration of CDHPs (26.7 percent), followed by the Southeast region (22.9 percent). The average cost increase for all CDHPs at 7.3 percent was slightly lower than that of the average of all plan types, which increased 8 percent this year.

Employers often offset the higher out-of-pocket costs of CDHPs by offering employees a health reimbursement arrangement (HRA) or a health savings account (HSA) and contributing funds. The 2010 UBA Health Plan Survey found the average annual employer contribution to an HRA was $1,481 (up from $1,310 in 2009) for a single employee and $2,857 for a family (up from $2,502 in 2009).

"The trend toward employee empowerment and participation continues in 2010 when it comes to health care," said Bill Stafford, UBA Vice President, Member Services. "Employees are taking more control over health care expenditures by increasing participation in CDHPs, and they are also realizing that there are financial benefits - in addition to health benefits - of participating in wellness programs."

Other key statistics from this year's UBA Health Plan Survey results:

- PPO plans have nearly two-thirds of all enrolled employees (65.7 percent).
- Fee-for-service plans will no longer be reported as the plans remaining are insufficient to develop legitimate benchmarks.
- The average monthly employee contribution for plans with contributions for all plan types is $113 for single and $443 for family.
- More than three-fourths of all wellness plans (77.1 percent) offered a health risk assessment.
- Of all plans in the Northeast, 81.7 percent still have 100 percent coinsurance.
- 52.9 percent of all covered employees also elected to cover their dependents.

Separate research on CDHP adoption from 2005 to 2009 also detected a shift in CDHP trends, according to a report in *Employee Benefit News*. An Employee Benefit Research Institute analysis of several health plan studies noted that the percentage of small firms (three to 199 workers) offering a CDHP has declined recently (11 percent in 2009 compared with 13 percent in 2008), while larger companies continued to add them to their benefits offerings (28 percent in 2009 compared with 22 percent in 2008 among employers with more than 1,000 employees).

Compensation

Employers Expect Pay Bump -- At Least for Top Workers

After suffering through a wave of layoffs, furloughs and pay freezes, employee compensation rates now seem to be swinging the other direction, according to several new surveys.

Four recent studies, including surveys by Hay Group and WorldatWork, project average base salaries will rise between 2.5 percent and 3 percent in 2011, according to a report in *Human Resource Executive Online*. While that's a modest increase, it is a positive shift in recent trends, considering 31 percent of companies were instituting pay freezes in 2009.

Wage increases, however, won't be spread equally among the workforce, according to WorldatWork. Its global research indicates that high performers likely will net a large portion of increased salary budgets, with raises reaching 3.7 percent. Middle performers can expect an average 2.4 percent hike, while poor performers will settle for 0.7 percent or less.

"With underfunded salary budgets this year, employers want the most bang for their buck," said Anne C. Ruddy, WorldatWork president. "They are no longer averse to withholding merit increases for poor performers so they can afford to grant meaningful increases to better performers."

The "pay-for-performance" model appears to be more attractive for younger workers, according to research by Kelly Services. Its recent study found that more than four in 10 Generation X and Generation Y workers say they are currently on pay-for-performance plans, compared with only 30 percent of baby boomers.

While more companies are dabbling in pay-for-performance, profit-sharing and company-ownership models to motivate the workforce and control compensation costs, it remains to be seen if these methods will survive after the economy begins to improve. Also, some professions don't fit well into the pay-for-performance structure, experts noted.

"The high-level summary of academic findings is that pay-for-performance can work in some context and with certain types of work, but can have unintended consequences and even lead to lower performance in others," Jodi Beggs, a researcher in behavioral economics and incentives in Boston, told *Human Resource Executive Online*.

Regardless of their pay arrangements, many employees have just been thankful to keep their jobs and continue to draw a paycheck, according to recent research by Gallup, published in *PLANSPONSOR*. With unemployment hovering near 9.5 percent, workers are less inclined to complain about their pay. Most workers (53 percent) say they are paid the right amount, with 31 percent saying they are "completely satisfied" with their wages -- matching a record set in 2006, according to Gallup research.

In Brief

COSTLY TREND

A National Business Group on Health survey finds that employers project that the cost of their group health care plans will jump by 8.9 percent in 2011, an increase from the study's 2010 projection of 7 percent. The survey points to recent health care reform legislation as a main contributor for the 2011 prediction. Seventy percent of respondents said they would have to amend their plans to eliminate lifetime limits, 26 percent would have to drop annual dollar limits and 13 percent would have to remove pre-existing condition exclusions for children under 19 - all required to comply with the Patient Protection and Affordable Care Act. Employers expect to pass along some of the cost increases to their workers, the study notes, with 63 percent of respondents saying they will increase the percentage of the premium paid by employees next year - and increase from 57 percent in 2010.

FLU TIME

Although it still feels like summer in most parts of the country, health experts say employers should start getting ready for the upcoming flu season now. The Centers for Disease Control and Prevention says the vaccine for this year's flu season will cover three types of viruses: H1N1, H3N2 and a B strain. Experts note that even if employees got vaccinated for H1N1 last year, they should get a new shot to protect themselves from the other viruses.

FEWER FATALITIES

Workplace deaths in the U.S. fell 17 percent in 2009 -- a record low -- to 4,340 deaths across all industries. Deaths at private construction firms dropped 16 percent in 2009. Transportation accidents caused the most worker deaths for a second year in a row. The number of fatalities involving automobiles, trains, planes and other vehicles was 1,682 in 2009, compared with 2,130 in 2008. About 20 percent of those deaths occurred on highways.

KEEPING COBRA

Despite the end of the federal premium subsidy, terminated employees are still enrolling in COBRA, a new study finds. One out of five terminated employees surveyed by Hewitt Associates enrolled in COBRA in June 2010, the first month in which the subsidy was unavailable. The COBRA enrollment figure in June was nearly twice as high as the historical rates prior to the subsidy.

GOOD TO SCREEN

Employers showed their support for taking a proactive role in helping their employees improve their health in a new survey by the Midwest Business Group on Health (MBGH). More than 90 percent of respondents said their plans covered preventive screenings, such as pap smears, breast exams and cancer screenings. Also, nearly all (97 percent) said screenings and vaccines can help improve employees' health. According to the MBGH survey results, employers take such steps to reduce medical costs and prevent illness (94 percent), keep their workers healthy (84 percent) and keep them productive (59 percent).

ALL ABOUT TIMING

Timing might be everything when rolling out benefit offerings, a new study suggests. Research by the University of Utah examined employees' behavior as it related to "payday proximity." The study suggests that "promotion-focused" programs (such as a companywide exercise program) are better received closer to payday, while "prevention-focused" activities (such as an eat-healthy initiative) are better introduced farther away from a paycheck. Researchers said the recent economic pressures from the recession likely will make these trends even stronger in the future.

CUTTING CARE

Many patients are skipping doctor visits or altering their medication doses to save costs in a rough economy, according to a new survey by Consumer Reports. Thirty-nine percent of those polled said health care costs prompted them to cut back on some sort of medical care in the past year, such as postponing a visit to the doctor (23 percent) or refusing to take a medical test (16 percent). Twenty-seven percent said they skipped taking their medications to save money.

DRESSED FOR SUCCESS

Want to look sharp at work? Take a look at where you are first. A new survey finds attitudes about proper dress attire vary widely across the globe. The study by Ispos/Reuters found that Europeans have the most relaxed attitudes, with only 27 percent saying they wore traditional business clothes to work (e.g. coats and ties for men, dress suits for women). If you really want the laid-back lifestyle, check out Hungary, where only 12 percent said they wore business clothes. Nearly half (46 percent) of Hungarians responded that shorts were OK for the office, as well. Indians might be the snazziest dressers, with nearly 60 percent saying they wore traditional business attire.

RETIREMENT TOOLS

Retirement plan participants say they need more resources from their retirement plans to make better decisions, according to a study by Mathew Greenwald & Associates and KK & Co. More than half said they used some sort of worksheet or calculator to help them make investment decisions, although 44 percent said they want those solutions to be simple and to take less than a half hour to complete. Also, 80 percent of respondents were interested in proactive analysis and messaging that advises them on how they could improve their savings.

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