BenefitsBulletin

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Cost of Family Coverage Rises 4 Percent

According to a recent survey, the cost of health benefits for employers and employees rose 4 percent this year for family coverage.

The annual Kaiser Family Foundation / Health Research & Education Trust Employer Health Benefits Survey reports a modest increase compared with last year's 9 percent spike, and half the 8 percent average of the previous decade.

On average, employer premiums are at $15,745 for family coverage, with employees paying an average of $4,316.

Employers and employees faced a 3 percent rise in cost for single coverage, paying on average $5,615 and $951, respectively.

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IRS Issues New Guidance on Employer Penalties

Beginning in 2014, large employers may face penalties if they do not offer any health coverage to full-time employees, or if they offer health coverage that is unaffordable or does not provide minimum value. The penalty is known as a "shared responsibility payment," and is triggered if one of the employer's full-time employees receives a premium tax credit or cost sharing reduction for coverage obtained through a health insurance exchange.

On Aug. 31, 2012, the IRS issued Notice 2012-58, which describes safe harbor methods and rules that employers may use to determine which employees are considered fulltime for the purposes of the Affordable Care Act (ACA)'s shared responsibility provisions.

This notice also addresses a safe harbor based on Form W-2 wages for employers to use in determining whether their health coverage is affordable. Employers will not be required to comply with any future guidance that is more restrictive until at least January 2015.

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IRS Issues New Guidance on Employer Penalties (cont.)

Notice 2012-58 includes safe harbor rules for determining full-time status for ongoing employees and new employees, including employees with variable hours and seasonal employees. Under the safe harbor for ongoing employees, employers may use three-month to 12-month measurement and stability periods to determine whether ongoing employees work at least 30 hours per week. Also, employers may utilize an "administrative period" of up to 90 days between the measurement and stability periods to determine which ongoing employees are eligible for coverage and to notify and enroll employees.

For new employees, Notice 2012-58 provides that employers will not be subject to a shared responsibility penalty for an employee who is expected at his or her start date to work full-time, as long as coverage is offered no later than 90 days following the employee's start date.

The safe harbor for new variable hour and seasonal employees is similar to the one for ongoing employees, meaning that employers may use the measurement and stability periods to determine if the employees are fulltime. Employers may also use an administrative period following the measurement period for new variable hour and seasonal employees. When the stability period ends, employers must repeat the process, beginning with another measurement period.

In addition, Notice 2012-58 discusses the affordability of health care and how to determine if an employer will be subject to a shared responsibility penalty. ACA dictates that coverage is considered affordable if the employee's required contribution is less than or equal to 9.5 percent of his or her household income for the taxable year. To address the issue of employers being unaware of their employees' family members' income levels, the safe harbor allows only the employee's wages from the employer that is providing coverage to determine coverage affordability.

In order to be eligible for the affordability safe harbor, an employer must offer its full-time employees and their dependents the opportunity to enroll in minimum essential coverage under an employer sponsored plan, and the employee portion of the self-only premium for the employer's lowest cost coverage that provides minimum value must not exceed 9.5 percent of the employee's W-2 wages.

Employers satisfying these requirements will not be subject to penalties for providing unaffordable coverage for that employee, even if the employee receives a premium tax credit or cost sharing reduction through a health insurance exchange. Employers can be proactive, however, and structure their plans and operations so that the employee contribution amount does not exceed 9.5 percent of any employee's W-2 wages for that year.

It is also important to note that the safe harbor does not affect employees' eligibility for premium tax credits, which are based on the affordability of employer-sponsored coverage relative to employees' household incomes, rather than W-2 wages.

Contraceptive Coverage Delay

While ACA requires that non-grandfathered health plans comply with the women's preventive services mandate for plan years beginning on or after Aug. 1, 2012, there are some exceptions regarding the contraceptive coverage requirement for religious employers.

Certain nonprofit religious employers are exempt from the ACA requirement to provide contraceptive coverage. To qualify for the exemption, the employer must have the inculcation of religious values as its purpose, primarily employ persons who share its religious beliefs and primarily serve persons who share its religious beliefs. This exemption covers churches and similar organizations.

In addition, a temporary safe harbor has been created for non-profit organizations that do not provide some or all of the required contraceptive coverage (consistent with state law) because of their religious beliefs, and also do not qualify for the exemption (for example, schools, charities, hospitals and universities). This temporary safe harbor will be in effect until the plan year that begins on or after Aug. 1, 2013.

To be eligible for the safe harbor, an organization must:

- Be organized and operate as a nonprofit entity
- Have consistently not provided, from Feb. 10, 2012 and beyond, all or the same subset of the contraceptive coverage otherwise required at any point, consistent with applicable state law, because of religious beliefs
- Ensure that its group health plan (or another entity on behalf of the plan) provides a notice to plan participants stating that some or all of the contraceptive coverage will not be provided under the plan for the first plan year beginning on or after Aug. 1, 2012
- Self-certify that it satisfies the above criteria, and document this self-certification and make it available for examination by the first day of the plan year in which the safe harbor applies

As an exception to these requirements, an organization will satisfy the second criterion above if the organization can prove that, before Feb. 10, 2012, it took some action in attempt to exclude or limit contraceptive coverage, but was not successful.

Employers utilizing the safe harbor must provide notice of this in application materials distributed in connection with enrollment or re-enrollment.

Wellness Programs Save

A recent report from the International Foundation of Employee Benefit Plans shows that North American employers on average save $1 to $3 for every dollar invested in employee benefits.

Investing money in workplace wellness programs is one way to increase your health care savings. Many employers that invest in workplace wellness actually show a savings of $3 or more for each dollar spent. Along with this, wellness programs have been associated with higher employee morale, increased productivity and lower absenteeism.

Many employers fear that implementing a wellness program will be a waste of money—some even try it for a few months, or a year, and then throw the idea aside. The mistake here is assuming that positive ROI will be immediate. While a wellness program targeted at one department and its issues may reveal savings within the first year, it may take three to five years to see measurable results in a more general wellness program.

While there is no single way to run your wellness program, *Closer Look: Wellness ROI* shows that organizations that report positive ROI for their wellness plans commonly offer incentives as a component of their programs, such as health insurance premium discounts, gift cards or non-cash prizes. In addition, communication is key to a successful wellness program. Providing regular emails, newsletters, and information on social networks to remind employees of the program and giving them tips is a good way to get more employees to participate, leading to greater savings.

Cost of Family Coverage (cont.)

Though the 4 percent cost increase is still greater than the 2.3 percent rate of inflation, it follows a trend that sees the size of increases shrinking in recent years. The cost of premiums in 2003 saw a 13 percent increase from the previous year, and a 10 percent increase in 2004.

The broader trend also indicates a reduction in the rate of increase; the cost of family coverage increased 51 percent from 2002 through 2007, and only 30 percent from 2007 to 2012.

The low level of increase is generally attributed to the slow economy. In the current economic climate, individuals have been reluctant to use more health care services, and many are practicing better consumerism by opting for less expensive procedures, or deferring elective surgery altogether.

The modest rise may also reflect the higher deductibles that are becoming increasingly common. Around half of employer-covered workers currently have a deductible of at least $1,000 for individual coverage, compared to 21 percent in 2007.