

Health Care Reform:

What every employer must know
about changes in costs and the
strategic use of benefits

By Neil R. Simons, President and CEO,
Independent Benefit Services



What will Health Care Reform look like?

While health care reform is still taking shape, final provisions that directly affect employers are likely to include:

- Individual mandate (*people are required to have health insurance or pay a penalty*)
- Employer mandate (*employers are required to offer health insurance or pay a penalty*)
- Portability of health coverage
- Legislated pricing
- Surtaxes or elimination of some personal and business tax benefits
- Pre-existing condition limitations
- Cost-containment provisions
- “Fair price” premiums

No matter where you stand on the issue of health care reform, you must prepare for the fact that changes are coming.

By staying in touch with your Senators, Representatives and other key players, you can have a say in how health care reform ultimately plays out for America *and* for your business. In the meantime, you must anticipate how to realign your HR practices and employee benefit strategy for uncharted territory. In fact, as an employer, you can't afford to wait until the dust settles in Congress. You must be at work *now*, preparing your employees and your business for what's ahead as health care reform radically reshapes not only costs and responsibilities, but your ability to attract, retain and motivate good employees.

Gather good information

With so much at stake, it's in your best interests *not* to wait and risk a trial-and-error approach. If you don't have time to research exactly what's in the health care reform bills, talk with someone who *is* up to speed on everything Congress is considering. Remember, health care reform is being hotly debated. So what's presently under consideration (*see box at*

left) will change. To take a proactive position, consult an advisor who is knowledgeable about the issues and can explain exactly what's on the table now *and* how each provision could ultimately affect your specific business. Understanding of your specific business is the key here, because the size of your business and the salaries, needs – and health – of your unique workforce make a difference in how health care reform would affect you. In one health care reform proposal, for example, employers of less than 25 employees would be exempt. Another provision that could be tacked onto the bill would require restaurant chains to disclose calories on their menus – a requirement that would make a big difference if you run a restaurant.

Establish independent perspective

Health care reform is an emotionally charged issue. You may feel passionately for or against it, but making good decisions for your business means taking a balanced look at all your options. That's why insurance carriers — who understandably have a great deal at stake — may not be free to provide the unbiased perspective you need to make decisions *now* that will serve the best interests of your business and employees down the road. In this difficult environment, an independent advisor can be instrumental in helping you explore all your options, including whether you should even offer a health plan at all.



Build an integrated benefit strategy

Health care reform isn't just about health care. It will affect your entire employee benefit program as well as your ability to accomplish strategic business objectives such as reducing absenteeism and turnover. Consulting *now* with a knowledgeable advisor can help you gain big-picture perspective to prepare for how changes in health care will affect your company, your workforce, your goals *and* your total benefit package. This will strengthen your ability to anticipate – and integrate – the interplay of decisions involving health plans, life insurance, and executive benefits. This integrated approach will help you determine how decisions you make *today* about issues like HSAs or health care plan design will play out for years to come in terms of everything from costs and compliance to administrative requirements and recruitment and retention.

Again, there are so many “hidden agendas” in the health care debate, it is vital to solicit input from an advisor who is accountable to you rather than to shareholders in an insurance company. Rely on that advisor to help you take a proactive approach to health care reform by looking at five key questions now.

5 health care reform questions every employer must begin to answer now:

1. **Should you get out of the business of offering health insurance?** Health care reform is likely to include “play or pay” provisions. Under current proposals, employers would have to provide insurance or pay a penalty for each worker who isn't offered coverage (\$750 per employee under the Senate bill, 8% of payroll under the House version). If workers have new insurance options, you need to weigh all the issues in deciding whether to offer health insurance. Expert guidance is critical, especially in light of all the factors and trade-offs that must be considered. For instance, one version of the bill would allow employers to be more aggressive in tying workers' premium payments to participation in wellness programs, a measure that could offset other costs.
2. **How will recruitment and retention be affected?** Most everyone agrees that portability will be part of the final health care reform package. But if employees can take their coverage with them from job to job, employers can't count on health insurance as a recruitment and retention tool. In this case, other benefits – such as retirement plans, bonuses, life and disability insurance – become crucial in filling the role health insurance has traditionally played in helping employers attract and keep good employees.
3. **Does a health plan provide “adequate coverage?”** If health care reform passes, all health plans will have to meet newly defined levels of coverage for everything from hospital stays and prescriptions to deductibles. Employers will need to fully understand whether their current insurance plan's coverage will be grandfathered, what they must consider in choosing any new plan, and how compliance requirements will change.

4. **What are the tax implications?** The final version of health care reform could include a variety of tax provisions, including anything from a surtax on married couples to taxing the most generous health-insurance benefits offered by employers. There is also the possibility that the new legislation would overturn the IRS ruling allowing reimbursement in FSAs, HRAs and HSAs. Businesses must anticipate these new tax consequences to their business and to employees *before* putting new health plans in place.
5. **What *else* should you see coming?** Health insurance isn't the only benefit on the table. As things stand today, committee members are trying to get all kinds of provisions tacked onto the health care reform bills — including a new federal long-term care program.

While no one can predict exactly what shape health care reform will take or when provisions will take effect, it's certain that changes are on the way. Employers who take the time *now* to answer these five questions will find themselves in a stronger position to make good decisions.

Neil R. Simons founded Independent Benefit Services in 1989. He has been awarded the industry's prestigious Golden Eagle Award every year since 1998. He is a charter member of United Benefit Advisors (UBA), an alliance of nearly 140 premier independent benefit advisory firms, and currently serves on UBA's Board of Directors.

Independent Benefit Services (iBEN) helps employers boost retention, recruitment and productivity through strategic decisions about health and wellness programs, retirement plans, executive benefits and HR outsourcing. With one of the most experienced teams of advisors in the region and access to UBA's unparalleled network of research and resources, iBEN consistently delivers bottom-line value to businesses ranging from just a few local employees to those with thousands of employees spread around the world.

301.921-7804

www.iben.com

neils@iben.com

