NEW BENEFIT OPTIONS FOR EMPLOYEES

Employers are increasingly looking to offer their employees non-traditional benefits. In the past, employee benefits included just medical, life, disability, and retirement benefits. Today's comprehensive group benefit plans include such features as flexible spending accounts, adoption assistance, transportation benefits, 529 plans, and more. Over the last decade, employers have had to watch their budgets carefully. Rising health plan costs have forced them to increase employee cost-sharing and health plan contributions. Employers are now looking for creative ways to enhance their programs at little or no employer cost. The goal of these enhanced programs is that employees will participate more readily in cost-sharing, and stretch their remaining take-home pay.

Medical plans always were and still are an important aspect of total compensation. Even in recent years, some employers' compensation strategy actually incorporated a very rich plan design with very low employee contributions. These employers tended to offer average wages, but very attractive health plans. Today, however, most employers are no longer using this approach. Instead, they are more aggressively increasing employee cost-sharing in health benefits as part of their group health and welfare plan strategy. A corresponding issue, of course, is that wages didn’t just magically increase accordingly over this period. In fact, real wages after group health related benefit cost-sharing have declined.

What to do? To attract and retain employees, employers are considering other benefits to create a competitive overall benefit program and a robust total compensation package. Progressive employers are quickly recognizing and adopting some of these benefits by offering such programs as:

- Patient advocacy
- Telehealth services
- Identity theft protection
- Legal plans
- Discount arrangements

Since the benefits are new to many, this Advisor reviews the key elements of these plans. In addition, it will discuss who pays for the benefits and explain the taxable or non-taxable aspect of each program.

Continued on Page 2
PATIENT ADVOCACY

Although different vendors provide patient advocate services in different ways, they all offer employees and in some cases employees’ families, including parents and parents-in-law, a number of support services. The general concept is the patient advocate, an expert in a specific area of care, can consult and help resolve what may be at times very complex situations.

Patient advocacy programs help employees navigate our tremendously complicated health care system. Many ordinary people find it daunting and with good reason. Patient advocate services can guide people through the complexity. Advocates typically offer 24 hour/7 day a week access to claim specialists and clinicians. The claims specialists not only help with claim-related issues, but also explain health plan coverage for various services. Nurses help research treatment options, provide a sounding board for proposed treatments, identify gaps in care and clarify care instructions the patient may have misunderstood. Often, they will help set up second opinions. They may even help an employee find a specialist.

These programs may also provide tools to help employees estimate out-of-pocket costs for various medical services. Some advocacy programs will even help explain Medicare and Medicaid coverage, including needs-based testing and rules that change from state to state. This resource can be valuable for your older active employees, lower paid employee segments, and even retirees.

Some patient advocate vendors might also offer services to promote health and well-being. This category of benefits could include an EAP to help employees with work and life issues. In addition, the advocate may offer programs centered on employee health management, such as biometric screenings, health assessments and health coaching for those who need it.

Additional programs might help with specific health issues by offering a nurseline along with wellness services. A nurseline is a toll-free number staffed 24/7 by registered nurses. Employees can use these phone services to consult a nurse on non-emergency health situations. Other advocate partners sponsor programs to help employees and family members quit smoking and stay tobacco free.

The most extensive programs available go even further. They offer programs to help people manage chronic conditions. This type of help is usually tied to robust data analysis. The goal is to integrate data from the medical plan, pharmacy plan and wellness program. The program uses predictive modeling to produce a risk score for all members with a chronic condition.

Different vendors offer different business models for patient advocacy programs. Review the potential service carefully. When you evaluate advocacy opportunities, keep in mind the substantial positive impact on absenteeism and presenteeism such help can have. Employers with well-promoted health advocacy plans should expect productivity to improve.

From a tax perspective, employers can generally deduct these programs and they are a non-taxable benefit to employees. Most employers opt to fully fund the cost of the program for employees.

TELEHEALTH

Telephonic (or virtual) doctor visits are becoming increasingly popular as an employee benefit. Mercer’s 2014 National Survey of Employer-Sponsored Health Plans saw a significant rise in the number of large employers offering telehealth services. The number of large employers (500 or more employees) offering telehealth programs increased from 11 percent in 2013 to 18 percent in 2014. The number of jumbo employers (20,000 or more employees) offering telehealth services dramatically increased from 18 percent in 2013 to 34 percent in 2014.

Telehealth programs are convenient for employees and a cost-effective alternative to a doctor’s visit for employers. These programs contract with a network of physicians, including a number of specialists. As with any doctor’s visit, employees must first register as a patient with the program and complete a health history. Employees with routine ailments schedule a telephone or video conference with the telehealth doctor. The physician can then prescribe short term medications, including antibiotics, but not controlled substances.

Different employers structure telehealth programs in different ways. Some employers offer these programs along with their group medical plans. Others offer them as a standalone program. Plans are available with and without patient copayments for each telehealth visit. As a cost-saving
incentive, the copayment may be lower than the copayment for a primary care office visit under the group medical plan. Telehealth visits are less expensive than office visits for routine conditions such as sinus or urinary tract infections.

Employers may face a few challenges with telehealth services; for example, copays. The Affordable Care Act requires copays for telehealth services to accumulate toward the out-of-pocket maximum in non-grandfathered group health plans. Many health plan vendors partner with a telehealth vendor so that they can apply these copays seamlessly to the out-of-pocket maximum. However, if your telehealth vendor is not affiliated with your health plan vendor and you are going to include a copay for telehealth visits, the two vendors will need to share data. If you sponsor account-based health plans such as high deductible plans paired with Health Savings Accounts, you also need to be cautious. In general, offering telehealth services and funding a portion of the visit could be viewed as providing benefits before the deductible is satisfied. Again, only preventive care can be covered before meeting the deductible in a qualifying high deductible health plan. Employers in this situation may simply have employees in the qualifying high deductible health plan pay the full cost of the telehealth visit, and apply the cost of the visit to the deductible. This arrangement may still be beneficial to the employee, since the cost of the visit is usually less than a primary care visit. This is one way employees can lower their health care costs.

This convenient option increases productivity and decreases direct employer health care costs at the same time.

Some employers include telehealth services in a discount arrangement, a pre-assembled package of various health related services in which the cost of the telehealth component can be lower. In this situation, the telehealth services are commonly offered with no copay as part of the discount card. The IRS allows employers to offer discount arrangements along with a qualifying high deductible health plan. However, it is not clear whether telehealth as part of a discount arrangement violates the high deductible health plan requirements. Guidance will certainly be forthcoming. Different employers will be both aggressive and conservative in their interpretation of current regulations, and attorneys, too, will disagree until the federal government clarifies this issue.

Some states impose certain restrictions on telehealth. Multi-state employers need to make sure they understand and inform employees accurately of permissible/limited/excluded telehealth consulting services. In addition, some states place limits on prescribing services permitted under a telehealth arrangement. It is critical to understand the potential limitations in the states where employees reside.

Employers can deduct the fees they typically pay for telehealth programs. The prevailing opinion is that the programs are non-taxable for employees. There are no provisions in the tax code for pre-tax funding of these services by employees on a voluntary or contributory employee-paid basis.

IDENTITY THEFT PROTECTION

Identity theft is a growing problem around the world. In 2012, the Justice Department reported that 7 percent of American adults were victims. The Federal Trade Commission reports that in 2013 identity theft was the number one consumer complaint. Stories about data breaches are rampant. Most people are now aware of the recent Anthem breach of personal information, which appears to be perhaps the largest of its type in history. Victims of identity theft have to struggle to restore their good credit and perhaps even their personal identification.

Employers can now offer their employees identity theft protection. A number of vendors offer this service with various benefits and protections. Some providers simply monitor credit applications made under the member’s name, and provide periodic credit reporting. Others offer significantly more extensive protection by monitoring public records and commercial databases to identify potential fraud. When these vendors discover a potential identity theft, they notify the member and investigate the situation. In the most robust models, the provider will effectively take control of the situation to restore members to their original condition. Some plans will also reimburse them for financial losses related to the identity theft.

Most identity theft programs are voluntary for employees, though employers should also know that these programs are available to employers, too, as a company-paid benefit. Identity theft protection is particularly helpful (and necessary)
when the employer experiences a breach of personal information. Generally speaking, the best of these programs are tremendously valuable and a very smart step in personal financial planning. When employee paid, these plans should be funded post-tax.

LEGAL PLANS

Legal plans offer employees a host of discounted legal services. Most plans contract with a network of attorneys that agree to provide many basic services at low or no additional cost. The plans also provide discounted rates to members for more extensive or complex legal situations. The discount is substantial, sometimes up to 40 percent of a normal hourly rate.

Most plans provide a free simple will and a living will as part of the service. Some legal plans will provide some additional free services as well, such as limited phone or face-to-face consultation. Some free services may include phone calls from the attorney, help with legal document review or drafting, help with welfare and INS issues, and representation in small claims court.

The legal plan may also set a specific fee for select services. The plan may charge a flat dollar amount, for example, to represent someone in court for a speeding ticket or for simple divorce proceedings. Important from an employer perspective, no group legal plans cover legal actions against the employer!

Like identity theft protection, legal plan membership can be a terrific opportunity for employees to save a great deal of money while taking care of legal matters appropriately and thoroughly. Legal plans are typically voluntary for employees, and they pay for this coverage with post-tax dollars.

DISCOUNT ARRANGEMENTS

Some employers offer discount arrangements. This area of benefits is becoming quite popular and for good reason. Vendors combine a number of services under one single discount arrangement and employers then offer discount cards to employees. The discount plans are not insurance and are not regulated under ERISA or HIPAA. Rather, they are more like perpetual coupons for reduced prices at participating providers of services, such as dentists, health stores, vision centers, pharmacies, and so on. The discounts may be available in addition to insurance programs an employer may provide, and in some cases present an excellent value for those without true insurance. Most programs are available for all family members without limits.

These discounts may include any of the following:

- **Prescription drug discounts** – these are discounts on drugs the health plan may not cover. Typically, the savings are available at pharmacies that participate in the discount network and generally include most of the large chain pharmacies. If an employee needs a drug that is not covered, this service can provide savings on the out-of-pocket cost.

- **Dental discounts** - these are discounts on services your dental plan does not cover, for example, adult orthodontics or expensive dental services such as crowns or other restorative procedures. These discounts also apply when coverage under the dental insurance plan is limited. In fact, even with dental insurance, it is entirely possible that a discount dental arrangement may be better than the price your insurance plan negotiated with the dentist.

- **Online health site discounts** – the discount card will often offer discounts to specific health and wellness websites. These may be sites that specialize in vitamins or health-related food items. Sites that are similar to online drug stores or medical equipment suppliers are available as well.

- **Hearing aid discounts** – most health plans do not cover hearing aids. Hearing aids can be quite expensive. Employees can receive large discounts on hearing aids and related supplies/services at a network of providers.

- **Lab and imaging services discounts** – these discounts can’t be provided in some states. If they are available in your state, the card provides direct access to many major clinical laboratories and imaging centers nationwide where employees can save significantly on typical costs for lab and imaging work. Tests available typically include allergy tests, vitamin and cholesterol levels, liver function, fertility, thyroid function and more. Confidential lab results are available in as little as 24 hours for most tests. Health insurance plans do not fully cover all diagnostic tests or scans. Imaging expenses vary and can be quite high. Discount cards can help alleviate the cost to the member.
• **Vision discounts** – depending on the program, packaged discount plans may provide reduced costs for vision services and products at a network of vision providers. The discounts are usually available on exams, glasses and contacts. They also typically include a network of Lasik surgeons that will provide corrective surgery to members at a substantially discounted rate.

These discount cards also may include other benefits, such as patient advocacy services, identity theft protection, and even legal plans comparable to those described earlier. Some discount cards also include telehealth services, roadside assistance, extensive retail coupons and more.

Discount card vendors offer basic service packages to employers for a per employee per month (PEPM) fee. More often than not, employers pay for these basic discount arrangements in order to inexpensively enhance the overall value of the group benefit program. The vendor may also offer buy-up options to include a legal plan, identity theft and sometimes even patient advocate services. These buy-ups are typically post-tax, employee paid.

**CONCLUDING THOUGHTS**

Employers are increasingly interested in offering these new benefits to employees. With the growth in ‘worksite’ products, such as critical illness and accident insurance, employers are recognizing the huge demand for products and services that protect and stretch incomes. These plans meet those demands at a very modest cost.

As medical plan costs continue to rise, employers are shifting more cost to employees. These new benefits, while relatively inexpensive, deliver tremendous purchasing value to employees who want or need these services and products. Employees benefit from the convenience, quality care and guidance, and lower out-of-pocket costs these plans offer.

Employers can become an employer of choice by making available (and possibly funding) ancillary non-traditional benefits that help employees keep more of what they make, and improve the overall level of security provided through the traditional group insurance program. Employers can expect a return on their investment through lower costs and improved productivity, and a workforce that appreciates the employer’s efforts to provide understandable, useful value-producing programs.

Employers need to explain their benefits clearly. If the plans are voluntary or buy-up, employees need to know whether they are pre-tax or post-tax.

Telehealth services have potential complications. Copays to use telehealth physicians may apply to the member’s maximum out-of-pocket limit under the health plan if your plan is not grandfathered. Also, if you offer a high deductible health plan paired with an HSA, members may need to pay for telehealth visits until the deductible is satisfied. Expect clarifying guidance on these important issues.

If you have any questions, please contact your MMA-MI Account Director. MMA