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THE VIEWSLETTER

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FINANCIAL WELLBEING

Because financial wellbeing can affect employees' health, many employers have committed to improving employee financial security. This help is critical since more and more employers have moved from the traditional pension plans to 401(k) savings plans. Most employers use auto-enrollment for the 401(k) plan to increase participation.

Retirement saving is only one aspect of financial wellbeing. Employees' financial situation affects their health and workplace performance as well:

- 24 percent of employees say issues with personal finances have distracted them at work *(PWC Employee Financial Wellness Survey, 2014)*.
- According to a 2015 *Investor Survey* by State Street Global Advisors:
    - 29 percent of defined contribution participants say they have missed work to deal with the emotional stress caused by finances.
    - 47 percent of defined contribution participants strongly agree that they are living paycheck to paycheck.
- 61 percent of U.S. workers do not have enough savings to cover at least three months of emergency expenses *(Report on Economic Wellbeing of US Households, 2014)*.

It is clear many employees need help not just planning for retirement but also managing their finances. Employers can often provide this help because of their relationship with employees. There is a real need to help employees manage their financial health.

Financial wellbeing does not necessarily depend on an employee's income level. Higher income employees may be financially stressed because of bad spending habits while lower income employees may be financially stable because they live on budgets and manage their finances well. Regardless of income level, many employees struggle with debt.

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We welcome your comments and suggestions regarding this issue of our Viewsletter. For more information, please contact your Account Manager or visit our website at www.mma-mi.com.

DID YOU KNOW

- Medical cost growth rate is projected to be 6.5% in 2017, the same increase as 2016.
- The breakdown of employer health spending by type of services:
  - 30% of dollars spent on inpatient hospital expenses
  - 19% of dollars spent on outpatient hospital expenses
  - 30% of dollars spent on physician services
  - 17% of dollars spent on prescription drugs
  - 4% of dollars spent on other types of services
- Cost increases have remained steady because the demand for value is tempering the forces that have historically pushed costs up.

Employers can offer financial wellbeing activities that help:

- Employees struggling to make ends meet with current income (typically your lower-paid employees)
- Employees living paycheck to paycheck (typically do not manage cash flow properly and may be struggling with debt)
- Employees focused on savings (focused on saving for future, interested in ways to save tax dollars)
- Employees with good income (financially literate and looking for wealth management support)
- Employees among the top income earners (looking for tax-savings and interested in financial planning and wealth building)

Income-challenged employees can benefit from a number of programs including basic financial skills training programs. These programs can provide critical help for employees without basic training in budgeting skills. Some people end up in debt simply because they don't have the skills to manage basic finances. Credit and debt counseling may be beneficial for these employees.

Some programs can help employees who live from paycheck to paycheck. These employees can benefit from employer-sponsored benefit plans that offer programs on budgeting, savings, reducing monthly expenses and saving for retirement. Some employers might even offer student loan debt consolidation programs.

Employees focused on saving will benefit from programs that help them plan for college tuition or other significant future expenses, such as mortgages. High income and top earners will benefit from different types of financial wellbeing programs, such as estate planning, wills, and legal expenses as well as wealth building and tax planning.

Although they may charge a fee, vendors can help with financial wellbeing initiatives. Some provide financial counseling. An employer could partner with a local credit union to help offer an emergency savings programs. Employers might also be able to find resources with current vendors. A 401(k) vendor may be able to spend time explaining retirement savings and investment

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TREND TIDBITS

Part of trend increases is attributed to increases in managed care network-negotiated reimbursement rates. The projected national average increase to negotiated rates by type of service follows:

$ 4.1% increase in reimbursement allowances for hospital and facility services

$ 3.3% increase in reimbursement allowances for outpatient imaging and diagnostic services

$ 3.2% increase in reimbursement allowances for pathology and lab services

$ 2.8% increase in reimbursement allowances for primary care physician services

$ 2.8% increase in reimbursement allowances for specialist services

Source: 2017 Health Plan Cost Trend Survey, Segal options. An EAP may have programs to help with budgeting and cash flow management.

Many employers are committed to their employees' financial well-being. According to a research study conducted by Fidelity and the National Business Group on Health, eighty four percent of employers offer financial security programs. This is up from seventy-six percent from last year. By far, the most popular delivery approach for financial wellbeing education is "lunch and learn" sessions. Eighty-two percent of employers are expected to offer financially focused "lunch and learn" sessions.

Employers investing in financial wellbeing programs can help improve their employees' financial situation. MMA

YOUR QUESTIONS

Q. I just started a new job as an HR generalist at a new organization. As part of my onboarding, I have been learning about the benefit plans, including the wellbeing plans. This organization has a smoker surcharge. Its policy requires smokers to complete a smoking cessation program and quit smoking to avoid the smoker surcharge.

I thought employers had to provide non-smoking rates if a smoker completed the alternative standard. My employer rquires employees to certify they are non-smokers at the end of the smoking cessation program to receive non-smoking rates retroactively.

I am not sure how to approach my concerns with this new employer.

A. It is always difficult to point out compliance concerns with a new employer. However, you are right. The practice of providing non-smoker rates only to employees who quit smoking violates the Health Insurance Portability and Accountability Act's (HIPAA's) non-discrimination rules. These rules apply to outcome-based wellness programs. Programs that tie incentives to specific health-related outcomes are considered outcome-based wellness plans. The incentive is awarded to those who meet the health outcome, in this case, those who stop smoking. Under HIPAA rules, however, the employer has to offer smokers an alternative standard to earn the incentive. Smokers must complete the alternative standard but they do not have to stop smoking to earn the non-smoker rates.

Now, you have to find a way to discuss this with your employer. You can find a Department of Labor summary of the HIPAA non-discrimination rules on wellness plans at https://www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/publications/caghipaaandaca.pdf. This summary should help you bring your concerns to your immediate supervisor.

THE OPIOID EPIDEMIC

The Centers for Disease Control (CDC) reported heroin deaths surpassed gun homicides for the first time in 2015. According to the CDC, opioid deaths surpassed 30,000 in 2015, an increase of 5,000 deaths over the number reported in 2014.

Opiates include heroin as well as prescription pain relievers such as oxycodone, hydrocodone, codeine, morphine and others. Prescription opioid abuse and use of heroin are intertwined. Opioid abuse has been a growing problem since the late 1990s when widespread painkiller use began leading to drug dependency. As various authorities at the state and federal levels began tightening prescription rules in the late 2000s, many of those addicted shifted to the illegal drugs. This shift has contributed to increased heroin use of the past several years. In a 2014 survey included in the Journal of the American Medical Association of Psychiatry, 94 percent of people being treated for opioid addictions chose heroin when prescription opioids became too difficult and too costly to obtain.

Employers need to be mindful of their role in identifying opioid addiction in this country. Opioids frequently appear in the top 20 drugs paid for by medical plans. In addition, employers may be able to identify opioid abuse by looking at experience in their

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workers' compensation program. If records show a high, longer-term use of oxycodone, hydrocodone or any other opioid, an employee may be addicted.

Employers are also reviewing claim data to monitor opioid use. Some employers are limiting opioid coverage to curtail employee exposure. Pharmacy benefit managers may have programs to help identify multiple opioid prescriptions from multiple doctors to identify possible addiction. In some cases, employees are even selling leftover pain medication to friends and co-workers. Often the health plan paid for some of the prescription fills.

Employers do need to be mindful when they limit opioids. Not all employees are abusing them. Many cancer patients, for example, use opioids to help them through painful chemotherapy or radiation treatments. If your organization decides to limit opioid fills, make sure to have an override process for employees that have a genuine need for a higher opioid use.

Employers should also consider workplace safety. An employee addicted to opioids could cause a safety issue in a manufacturing environment. Even those using the opioids for legitimate pain control should not be operating heavy machinery. Operating machinery isn't the only safety concern on the job. Anyone driving a company car under the influence of opioids is also a risk.

Finally, employers can help employees struggling with an opioid addiction by launching awareness campaigns to bring attention to the issue. The campaigns should include information on the dangers of sharing medication, the prevalence of opioid addictions and resources for employees to seek help. Resources could include the EAP, community resources or resources available to members of health plan.

The opioid epidemic may be affecting your workplace. Make sure you investigate to determine whether you have a potential issue. Take action to limit exposure and help employees struggling with opioid dependence. MMA

Technical Corner

Employers want employees to consider cost when they use the health plan. Health plan costs have increased steadily for most employers over the last five years. As a result, employers have been making plan changes and increasing employee contributions to meet budget targets. However, employers are concerned that health care costs may be too much of a burden for lower income employees. Some employers feel they can't continue to shift cost to employees.

Can new electronic transparency tools help employees become better consumers of health care services? These tools have improved significantly over the last five years and may indeed have an impact. They help employees compare costs and quality in different venues. Many insurance carriers have developed systems for their members. The systems, however, vary widely across carriers. Some systems do a better job of engaging employees. The key is to get employees to use the systems.

For employers that want to take transparency systems a step beyond the free system their health plan vendors offer, standalone vendors are available for a fee. These vendors offer significantly better tools for examining cost and quality. Their systems take the extra step to engage employees when they need medical care. These systems take input from the medical carrier, pharmacy vendor, wellness vendor and other vendors as well. They have tools to predict the potential health needs of participants based on the profile the employer data provides. The system then sends this information to participants when they are making their health care decisions.

These systems are not perfect, but they are improving every year. They can help participants evaluate cost and quality when they need health care. The systems cannot be effective, however, if the employer does not encourage employees to use them. Many health plans already have the necessary materials developed to explain and encourage use of transparency tools. MMA

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LIABILITY LESSONS

The threat of a cyberattack is no longer a case of **IF** it will happen but **WHEN** it will happen.

WHAT DOES A CYBER LIABILITY POLICY COVER?

A cyberattack can include a computer virus, phishing, Trojan horse, hacking, ransomware, and unauthorized access to company and customer information.
Cyber liability coverage protects your organization from claims by other individuals or organizations because of a cybercrime. The policy provides support if an organization is sued for failing to protect the confidential information of others. This coverage could be essential. According to the 2016 Verizon Data Breach Report, the global cost of cybercrime will reach $2 trillion by 2019, a three-fold increase from the 2015 estimate of $500 billion.

An organization may purchase cyber liability coverage for a number of reasons:

1. The organization will only have to make one call to their insurance carrier if they believe a cyber breach has occurred. The carrier will manage the breach investigation (invaluable as many companies will not have the resources to manage the breach).
2. Cyber coverage can also cover the theft of information in paper files (important as companies store years of information both on- and off-site).
3. ERISA plan fiduciaries may have increased liability. Fiduciaries should review their TPA's protection of electronic plan data.
4. Directors and Officers can have personal liability for failing to implement systems and controls to protect their organization's data.
5. There may be an increase in cyber coverage requirements for organization's contractual obligations with customers.

What may be the most important feature of a cyber liability policy is the support it will provide. Most cyber liability carriers will hire a forensic specialist to determine if a breach occurred, help determine the scope of the breach, and identify who must receive notification of the breach.

The cyber coverage included in most package policies will not include the scope of coverage that may be needed. It is important to understand not all cyper policies are the same. Cyber liability coverage should be reviewed along with all liability coverage associated with the organization. MMA

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