

Employee Benefits Report



MSI Benefits Group, Inc.

TownPark Ravine One, 245 TownPark Drive, Suite 100, Kennesaw, Georgia 30144
Office: (770) 425-1231 Fax: (770) 425-4722 E-Mail: info@msibenefitsgroup.com



Retirement Planning

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Changes to 401(k) Plans Under Consideration

Congress is debating possible changes to the 401(k) retirement plans employers offer their employees. Some of the ideas being discussed by Senators and Representatives would favor employees, some would benefit the federal government.

Retirement plans are a hot topic for two important reasons, both of which involve money.

Americans are not good at saving for retirement. According to the National Institute on Retirement Security, six out of 10 households do not save enough to maintain their current standard of living in retirement. In addition, Social Security does not have enough money to support future generations' retirement needs.



Patients With HDHP Not Using Coverage

Recent research on high deductible health plans (HDHP) shows an important, unexpected consequence of the low cost plans. Many people who have HDHPs aren't using the insurance benefits.

An HDHP is a health insurance plan that has lower premiums than traditional insurance, but higher deductibles. Patients must cover their medical costs out-of-pocket until a certain limit — the deductible — is met. HDHP deductibles for individuals must be at least \$1,300 but often average \$2,295. Insurers created HDHPs not only to lower costs, but to encourage individuals to become better consumers of medical care, since they would have more “skin in the game” and be less likely to overconsume care.

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More workers will be using the Social Security funds than are putting money into the plan. Congress also frequently has dipped into the fund to pay for other projects and services.

The other reason is that Congress is looking for ways to raise revenue to offset historic tax cuts promised by President Donald Trump. Employees currently can contribute up to \$18,000 a year and not pay taxes on those earnings. Employees who are age 50 and older are allowed to save as much as \$24,000 a year to “catch up” on their retirement savings.

Even though retirees eventually pay taxes on the savings, the federal government would like to collect those taxes now rather than later. Thus, Republicans have floated the idea of limiting the amount of tax-free money workers can save for retirement to \$2,400 annually. This change could raise billions over the next 10 years.

However, President Trump told reporters, and wrote on Twitter, that he was not in favor of this change and that he wanted to preserve existing retirement tax breaks, which he believes are very important to the middle class.

Congress is also looking at proposals that would make it easier for employees to save. Most of the ideas revolve around 401(k) retirement plans. Here are a few ideas that could have a positive effect for you and your employees.

Auto-enrollment

Some employers automatically enroll their employees into their company’s 401(k)

plan. Employees can opt out, but most stay in the plan and don’t miss the money that’s taken out.

Proponents of auto-enrollment want Congress to require employers to direct six percent of every employee’s salary to a 401(k) plan. Employees could elect to have more taken out. Another proposed automatic enrollment feature is a requirement to automatically increase contributions by one percent each year to a maximum of 12 percent.

Qualified Default Investment Alternatives

Investment choices often overwhelm employees and they would prefer someone else to make the decisions. Many employers automatically enroll employees in Qualified Default Investment Alternatives (QDIA). What makes these plans special is that they mix equity and fixed income investments based on an individual’s age and retirement date. Proponents of these plans want Congress to require QDIAs.

Roth 401(k) Contribution

Unlike a 401(k) contribution, any money deposited in a Roth 401(k) is taxed immediately. The current limits are \$5,500, but go up to \$6,500 for those who are age 50 and older. If the contribution limits were raised, in the short term there would be increased tax revenue from Roth contributions. However, the Roth 401(k)s would shelter eligible fund withdrawals or capital gains from taxation in the future.

There is a push to increase limits to both 401(k) and Roth 401(k) plans. Proposed limits

Researchers at Indiana University–Purdue University Indianapolis discovered a significant reduction in preventive care in seven of 12 studies and a significant reduction in office visits in six of 11 studies. Patients often were forgoing office visits, wellness visits and cancer screenings to save money.

The researchers recommend that employers and insurers provide HDHP plan holders more education about HDHPs and assure employees that preventive care does not cost extra when the HDHP plans meet the Affordable Care Act’s minimum essential care requirements.

for 401(k) pre-tax contributions are \$20,000, plus a maximum of \$20,000 in Roth 401(k) contributions, which would be taxed right away, helping to ease federal budget concerns.

Health Savings Accounts

A Health Savings Account (HSA) is set up by an employer and is a great way for individuals to save tax free for health expenses. The higher the contribution limits, the more employees could potentially save for use during retirement. Currently, contribution limits are \$3,400 for self-only coverage, and \$6,750 for individuals with family coverage. Those who are 50 and older can add an additional \$1,000 annually for catch up contributions.

Loans

Employees often are tempted to take loans from their 401(k) plans. They have to

pay the loans back, but if they leave their job during the loan payback period, they often don't pay the money back. Many human resource departments spend a lot of time keeping track of loan repayments. There's a proposal to eliminate the ability for employees to take out loans, except for hardship reasons.

Company Stock

Companies can offer company stock as part of a retirement plan, but employees often put too much money in company stock and don't understand when they should pull back. Some experts would like to see companies eliminate company stock as an option or restrict its use.

For more information on 401(k) plan administration or setup, please contact us. ■

Vision Insurance Trends to Incorporate in Your Benefit Plans

Employees increasingly rank vision insurance as one of the most important benefits. Here's how to get the right plan for your employees

Vision insurance has quickly become a coveted employer-sponsored benefit. More than half of the employees surveyed in MetLife's 2017 Employee Benefit Trends Study ranked vision coverage as an essential benefit. Most consider vision even more important than short- and long-term disability insurance, critical illness insurance or accident insurance. Transitions Optical, Inc., found even more positive results in its annual Employee Perceptions of Vision Benefit survey. Eight in 10 employees who were offered a vision plan through their employer chose to enroll.

Millennials, those born beginning in 2000, are the employees most likely to use vision benefits. According to Transitions Optical, 30 percent of employees aged 18 to 34 used vision benefits more than once in the past year, compared to 18 percent of Gen Xers (born between 1965 and 1980) and 17 percent of Baby Boomers (born between 1946 and 1964).

Why They Like Vision Care

One reason for increased demand in vision benefits is that more people are experiencing eye strain. The development of new technology — both in the workforce and for recreation — is harder on eyes. Pew Research Center



reports that almost nine-in-ten Americans are online, up from about half in the early 2000s. The technology includes smart phones, tablets, laptop computers, desktop computers, television and video games.

Thorough vision exams can also detect other health issues. HCMS Group reports that eye exams play an important role in preventive healthcare. People who get annual comprehensive eye exams are more likely to get treatment for serious health issues such as diabetes, high blood pressure and high cholesterol.

Simply offering vision coverage isn't enough, though. It needs to be the right coverage. Here are some of the most popular features of vision plans today.

Vision Care Trends

Trendy eyeglasses and Lasik surgeries still are popular, but technology that helps people see better is important, too. Employees want access to premium lens brands that feature:

- ✦ **Lens color and tint**
 - Block blue light and enhance contrast and depth perception making glasses helpful for overcast, hazy and foggy conditions
- ✦ **Impact-resistant polycarbonate lenses** – Polycarbonate lenses are as much as 10 times more impact-resistant than plastic or glass lenses and provide 100 percent protection from the sun's harmful ultra violet rays
- ✦ **Photochromic options**
 - Lenses that darken when activated by the sun's ultraviolet radiation
- ✦ **Anti-reflective coatings**
 - Coatings applied to the surfaces of lenses and other optical elements to reduce reflection.
- ✦ **Thinner lenses that feature light protection**

- Reduce eyestrain and fatigue.

Since employees are now paying for more of their own health expenses, they are turning to other benefits, such as vision and dental, to reduce total health costs. For example, they also want coverage for procedures such as dental implants, which traditionally aren't covered, and white dental fillings instead of silver.

Employees also want to choose optometrists and ophthalmologists who have good reputations and convenient locations and hours. To meet that demand, you should look for a large network. EyeMed Vision Care reports that 95 percent of employees will use an in-network provider when it's a provider with a lot of options.

Wellness plans should include education about eye care. The more your employees know about taking care of their eyesight, the lower their eye care costs could be.

For more information about vision insurance, please contact us. ■

Proposed Changes to Group Health Insurance for Small Employers

The president and congress continue proposing changes to healthcare laws and the country continues to debate what the effects of those proposals will be.

President Donald Trump signed an Executive Order to provide health insurance cost relief for small businesses. The Trump administration believes these changes will expand choices, increase competition and bring down costs.

Many who oppose the order say that while the changes could provide less expensive options for employers and their employees, it has the potential to increase costs for those who purchase individual plans on the Affordable Care Act (ACA) Marketplace Exchanges.

The two main recommendations that may affect employers are expanding access to Association Health Plans (AHPs) and changes to Health Reimbursement Arrangements (HRAs).

None of the Executive Order provisions are scheduled to take effect anytime soon. Many of the details have been left to federal agencies to establish.

AHPs

An Association Health Plan is a group of similar businesses that band together to purchase group health insurance. This gives them greater bargaining power and access to a broader range of insurance options at lower rates — similar to a large group market.

Trump's Executive Order directs the secretaries of Health and Human Services, Labor and the Treasury Departments to re-establish healthcare associations. These associations were in place before the ACA became law, but were mainly used by trade organizations and business groups.

The Executive Order also allows AHPs to bypass current Minimum Essential Coverage requirements. Observers have concerns that companies with young and healthy employees will purchase bare-bone inexpensive plans, while companies with older employees will have higher costs because of their older, less healthy em-

employees. Employers also could “cherry pick,” and only choose younger workers as a way to reduce health benefit plan costs.

To expand access to an AHP arrangement, Congress must agree to a broader interpretation of the Employee Retirement Income Security Act which would allow employers in the same line of business — even if located in different states — to form an association to offer group health insurance to their employees.

If this change is implemented, employers would not be allowed to exclude any employee from joining the plan, or to develop premiums based on health conditions.

Proponents of the idea believe this broader interpretation would mean that self-employed individuals also may be able to join an AHP to take advantage of the plan’s lower health insurance rates. On the other hand, opponents fear that allowing self-employed workers to join a group plan could hurt the individual market, especially if those workers are healthy. That scenario would leave only sick workers to support the market.

HRAs

An HRA is an employer-funded health savings account that employees can use for healthcare expenses, including deductibles and copayments. Contributions to the fund are not counted as taxable income, and only



employers are allowed to contribute to the plan. Any funds left in the account at the end of the year can be used in subsequent years or deemed forfeited at the employer’s choice.

Trump’s Executive Order also directs the Departments of Treasury, Labor, and Health and Human Services to reduce restrictions on HRAs, which would allow more generous funding for the plans. Potentially, employers also could fund HRAs with tax-free dollars so

that employees could buy coverage on the individual market. Currently, only employers with fewer than 50 employees can fund an HRA for that purpose.

One question that remains unanswered is whether employers would be able to contribute enough so that employees could obtain comparable coverage at a comparable price. ■

Getting the Most Out of Disability Benefits

You spend valuable time and money to offering benefits to your employees. So imagine how frustrating it would be for you and your employees if they were unable to enjoy the benefits they deserve.

This is where employee education pays off — especially when the subject is disability benefits. It's easy to make a mistake in the claim process.

To ensure a carrier will pay the claims of employees who are too injured to work, here's what you and your employees need to do.

Read your Contract

Check to see if your condition qualifies for disability coverage. If it does, find out if you'll get benefits only for your regular job. You may not get benefits if you are able to do another, different job, even with your injury. Or you might be paid benefits only for a specific time if you're able to do another job.

Make sure you understand all of the questions on the claims form and answer them correctly. Mistakes can cost you coverage.

Be Prompt

It's important to fill out claim paperwork immediately — even if benefits don't start right away. A late submission could be grounds for the insurance company to deny your benefits. Send your claim by registered mail and request a return receipt. This will ensure that you have proof the insurance company received your claim.

Be Patient

Every disability policy has an elimination period. This is the time an employee must wait until the disability benefits kick in. Generally, the more expensive the policy, the shorter the elimination period.

Keep All Documentation

Ask your doctor to explain your disability in writing to the insurance company.

When you talk to the claims adjuster on the phone, follow up with a letter documenting who you spoke with, what they said, and the date and time of the call or meeting. It's easy to forget what was said if you're stressed or not feeling well. If you doubt your note-taking abilities, you can record meetings and phone calls, but you have to alert the people you're recording at the beginning of the conversation.

Please contact us if you have questions about disability insurance.

