Employee Benefits Report

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Pharmacogenomics: Better Health and Cost Savings

Drugs are formulated for normal physiology. Physicians with knowledge of a person's unique genetic makeup can better determine which drugs will be most effective.

Anyone who has watched a commercial for a prescription medication expects to hear a disclaimer warning of potential health hazards. Possible side effects — depending on the medication — can range from constipation to death!

Another side effect of many pioneering pharmaceutical drugs is that they are outrageously expensive and one of the primary causes of rising health care insurance costs.

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Could Amazon Lower Drug Costs?

Rumors that Amazon might enter the retail pharmacy market have already sparked reaction in the healthcare and related industries. CVS Health apparently began talks to acquire Aetna, one of the nation's largest health insurance providers. Investors reacted by selling off shares of CVS Health and Walgreens.

The pharmacy industry is concerned because Amazon could disrupt the industry by cutting out brick and mortar drugstores and other distributors. Amazon also could use its buying power to offer cut-rate generic drugs. Observers also believe Amazon could open pharmacies at its latest acquisition, Whole Foods.

If Amazon decides to get into retail pharmaceuticals, an easy way to begin would be to set up a mail-order pharmacy for customers who don't have insurance or who have

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Pharmacogenomics may be the answer.

Pharmacogenomics is the study of how a patient's genetic makeup can affect the drugs they take for an illness. In particular, pharmacogenomics studies how human genes can influence various responses to drugs. Drugs are formulated for normal physiology, but a patient with a vastly different genetic makeup could be at risk of drug toxicity or could experience sub-therapeutic effects. For instance, a drug that works slowly for one individual might metabolize more quickly for another and leave the body too soon to be effective.

Physicians armed with knowledge of a person's genetic makeup can predict if an individual is at risk for a particular disease and make more informed decisions about which drugs will be most effective. Physicians can also learn which dosage will best achieve the desired results.

Equally important, it may be revealed through genetic testing that the discomfort some individuals experience is actually caused by the drug they are taking — a situation that can easily be remedied.

The Cost Saving Implications

Currently, pharmacogenomics testing focuses on evaluating 200 to 300 drugs used for cardiac problems, pain, cancer, psychiatric issues and brain and infectious diseases. Because the cost of developing a new drug is around $1 billion, the cost of testing exactly how a drug affects people individually — which is getting lower all the time — is a good investment for everyone involved. Drug prescriptions will be far more accurate and pharmaceutical companies will face less risk and incur lower costs developing and marketing new medications.

Your health plan may cover the cost of genetic testing when recommended by a doctor. Many people who have participated in genetic testing have discovered that they need fewer drugs. Employees get better health care because their medications work more effectively, while employers typically pay lower premiums because of reduced costs. Please contact us for more information.

high-deductible health plans.

Amazon also could serve as a pharmacy-benefit manager overseeing drug coverage on behalf of insurers or large employers. Because most employees use the service covered by their health plan, Amazon would have a captive audience.

Although Amazon representatives are not commenting on the speculation, the company has acquired wholesale pharmacy licenses in several states. Amazon reportedly has hired a general manager to lead a team to explore the idea of selling prescription drugs.

The Ethical Conundrum

While pharmacogenomics can be used to provide personalized information about which drug will be most effective for particular individuals, there could be ethical implications.

Privacy and confidentiality in genetic testing is a major concern. If testers discover that the results are critical to family members' health — such as an inherited risk factor — the question arises, should this information be shared with others who have a direct interest? Should such information be given to employers or insurance providers even if the patient doesn't want it shared? Especially when the information could be critical in deciding to provide insurance coverage or evaluating a job promotion?

The Genetic Information Nondiscrimination Act (GINA), which became law in 2009, protects people from discrimination. Title 1 of the federal law prohibits health insurance providers from using or requiring applicants' genetic information to make decisions about insurance eligibility or level of coverage. Title 2 prohibits employers from using a person's genetic information when making decisions concerning employment.

GINA does not protect people from all forms of genetic information discrimination. Employers who have fewer than 15 employees are not affected by the law. The law also does not protect people who are in the military or those receiving health benefits through the Veterans Health Administration or Indian Health Service.

Short- or Long-Term? Which Disability Policy is Best for Your Employees?

Long-term disability coverage offers employees better financial security. Yet most workers choose short-term coverage

Can you imagine what it would do to your financial situation if you could not work for 35 months? Losing almost three years of wages would be devastating to anyone. Sadly, that's the average long-term disability absence for American workers, according to the Council for Disability Awareness (CDA).

While it might be tempting to rush out and purchase long-term disability insurance for you and your employees, it's important to know exactly what short-term or long-term disability insurance covers and what is the right fit for your employees.

Both short-term and long-term disability insurance will pay a portion of an employee's salary when they suffer a disability, are ill or are unable to perform their job duties. Short-term disability protects an employee for one to six months or longer. Long-term disability protection kicks in after short-term disability payments end. Depending on the policy, an employee could receive life-long disability benefit payments from a long term plan, typically until normal Social Security retirement age.

CDA research shows that employees in their twenties have a one-in-four chance to suffer a disability before they retire. It's also more likely that the disability will be temporary and caused by illness, rather than an accident.

Short-Term Coverage

Short-term disability insurance is a popular choice for many companies because the premiums are inexpensive.

Employees who have applied for disability benefits usually have to wait a short time before they receive benefits. The waiting period is usually up to 14 days. The payout period depends on the policy and the disability, but usually lasts from several months to one year.

While policies often cover a lengthy illness or disabling injury, the most common reason for short-term coverage is the birth of a child. If the coverage you choose includes pregnancy and the postpartum period, it usually only covers two-thirds of the employee's salary, and benefits will typically be paid only six to eight weeks.

Long-Term Coverage

The CDA reports that the average long-term disability absence period lasts just over

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two years. Back injuries, cancer, poisoning, mental disorders and heart disease are the most common causes.

Long-term disability insurance covers from 50 to 70 percent of an employee's salary whether they're injured on or off the job. Keep in mind that worker's compensation only pays benefits if an employee is injured on the job.

Long-term payments usually start 10 to 53 weeks after an eligible event, with the average being 26 weeks. Different policies have distinct definitions for eligible events, so it's important you understand exactly what the policy covers. Most long-term disability policies cap how much they will pay out. The U.S. Department of Labor reports that the median maximum payout in 2014 was $2,014 per month.

To qualify for a long-term disability payment, the employee must be full-time (30 plus hours per week) and must have worked for your company a certain, pre-determined time period.

The Bottom Line

In years past, companies would pay all premiums for long-term disability policies. While some companies still offer that benefit, you can choose to pay only part of the costs, or you can require employees to cover all the costs. Most plans cover 50 to 70 percent of an employee's monthly salary. You also can pay for a basic plan and allow employees to pay extra to upgrade their coverage.

If a company covers all or some of the costs, and does not report the premium in the employees' taxable income, the employee will be responsible for paying taxes on the benefits proportionate to the part paid by the company. The part of the benefit paid for by the employee with after-tax contributions is considered tax-free income.

Long-term disability coverage offers employees better financial security — and if purchased by the employee, not the employer, it's portable, which employer-provided long term disability is typically not. Yet, despite the financial threat, most workers choose short-term disability coverage over long-term because of the cost. According to the U.S. Department of Labor, workers in lower paying occupations are less likely to elect coverage, and they are the ones most likely to need it. Instead, these workers usually rely on Social Security Disability Insurance.

Ideally, employees should have both types of coverage. However, if cost is an issue, then employees should buy a short-term disability policy from their employer, and, as a backup, save money in an emergency fund in case they're unable to work.

For help setting up disability income solutions for you employees, please contact us.

The Benefits of Offering Supplemental Life Insurance

Supplemental insurance allows employees to customize their coverage to meet their individual needs.

Most employees now get their life insurance through a group plan provided by their employer. According to LIMRA, a research group funded by the life insurance industry, 108 million Americans have an employer-sponsored basic life insurance plan, while 102 million have a plan they purchased themselves. LIMRA began tracking life insurance sales in 1960 and this is the first time group coverage has been more popular than individual coverage.

Employers usually pay all of the cost of a basic life insurance policy. The free policy for the employee pays death benefits to the employee's beneficiaries. Small firms often offer a flat dollar amount from $25,000 to $50,000. Large firms are more likely to offer policies that pay one to three times a policy holder's salary as a death benefit.

Coverage is guaranteed and no medical exam is required for these group plans. The employer pays the same premiums for every employee because the group rate is not dependent on someone's age or health. An employer can offer this coverage to all employees or impose certain conditions, such as requiring minimum time of service before getting the benefit.

Not every death is covered, though. Some plans do not pay benefits for suicide, civil riots or deaths that occur during military service.

And while a basic life insurance plan does provide cov-

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erage, it might not be enough coverage for those who have a spouse or children.

Employer-Provided Supplemental Insurance

If you already offer basic life insurance to your employees, you can add supplemental insurance options at no cost to you. Supplemental insurance allows employees to customize their coverage depending on their needs or financial situation. Your employees pay the premiums, and you provide low-cost access to a variety of plans and benefits.

Unfortunately, many employees don't take advantage of these types of benefits. LIMRA reports that 14 percent of full-time employees are not aware that they have access to supplemental plans. To increase employee awareness of the benefits of life insurance, you can educate your employees. Ask the carrier to help you host on-site enrollment sessions, hold a webinar about the product or conduct web-based training, followed by online enrollment.

Life insurance experts recommend workers get enough supplemental coverage to pay off their debts. They'll need more if they have children who are planning to attend college or if their spouse depends on their income. An easy and practical rule of thumb is 10 times the employee's salary.

Although an employee cannot take their basic life insurance policy to another job if they leave your employment, they may be able to take their supplementary coverage with them. The carrier, though, may impose a fee.

Employees can purchase supplemental insurance as either term or permanent.

A term life insurance policy is less expensive than a permanent life insurance plan. Term insurance only pays a death benefit for 10, 20 or 30 years — depending on the terms of the policy. This can be a great fit for employees who are concerned about making sure their beneficiaries have funds available to pay off the big ticket items.

A permanent life insurance policy lasts for as long as the policy holder pays the premiums. These policies have the added benefit of being a way to save money. Over time the policy increases in cash value, and the policy owner can then borrow from it or withdraw the cash value.

more on next page

Voluntary Benefits Now Almost Mandatory

More employers are turning to voluntary benefits as a cost-effective way to help employees protect their financial assets. Employees, too, are looking for more robust benefit packages.

A 2017 Aflac WorkForces Report reveals that 77 percent of employees expect their employers to offer dental insurance, while 70 percent want vision insurance. Nearly half of large employers who responded to a Benefitfocus study in 2017 report that they offer at least one of the three most common voluntary income protection benefits: accident, critical illness and/or hospital indemnity insurance.

An important reason for the increased interest in voluntary benefits is the Millennial generation's desire for benefit packages that can be personalized to their needs. Many Millennials (those born between 1980 and 2000) are saddled with $35,000 in student loan debt. Low wages and, until recently, a weak economy forced many workers to live at home or stay on their parent's medical insurance until they reach age 26. Employer-sponsored financial wellness programs can help with financial stressors such as student loans, debt consolidation and tax issues.

With skyrocketing health costs, employers are opting for plans with higher deductibles as a way to keep premiums low. This means more out-of-pocket costs for employees. Voluntary benefits packages are a way to reduce the financial burden.

Technology also has made it easier and more cost effective for employers to offer a wide range of valuable benefits. Employees can enroll online, and many administrative processes have been automated, saving paperwork and time.

Please contact us. We can help you create a voluntary benefits plan to fit the needs of your workforce.

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