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MAPLE BROOKS Benefits & Consulting

THE RISK REPORT

Employee Benefits

Uncertainty Weighs on Group Plan Cost Expectations

EMPLOYERS ARE expecting their group health insurance costs to climb 4.4% in 2021, despite the ravages of pandemic and a likely uptick in health care usage next year, according to a new survey.

The expected rate increase is on par with much of the last few years, when insurance premium inflation has hovered between 3% and 4%. Despite the expected rise, employers do not plan to cut back on benefits for their employees, according to the Mercer "National Survey of Employer-Sponsored Health Plans 2020."

The COVID-19 pandemic has injected a large dose of uncertainty into the marketplace. Overall, health care expenditures have plummeted since the pandemic started, which at first seems counterintuitive. But many hospitals postponed elective and non-emergency surgeries and procedures, while fewer individuals were seeking care either out of fear of going in for it or because they could not get appointments.

For example, the first three months after the pandemic had gotten a foothold in the U.S., according to the Willis Towers Watson "2020 Health Care Financial Benchmarks Survey," monthly paid claims per employee dropped as follows:

- April: 21%
- May: 29%
- June: 14%

"So far, the additional medical costs associated with the testing and treatment of COVID-19 have been more than offset by significant reductions in utilization across many service categories," the insurance industry research firm recently wrote in its report.

Additionally, the Mercer report predicts that a significant portion of the deferred care will never be realized. And, for those people who have deferred care, when they eventually decide to come for the care will also depend on the course of the pandemic, hospital capacity and whether they feel safe to go in for the treatment.

"Different assumptions about cost for COVID-related care, including a possible vaccine, and whether people will continue to avoid care or catch up on delayed care, are driving wide variations in cost projections for next year," Tracy Watts, a senior consultant with Mercer, said.

Employer reactions

Despite the expected cost increases, Mercer found that few employers plan to make any changes to their benefits this year, as they seek to keep things stable for their staff. The survey found that:

- 57% will make no changes at all to reduce cost in their 2021 medical plans (up from 47% in the prior year's survey).
- 18% will take cost-saving measures that shift more health care expenses to their employees, including raising deductibles and copays.

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Pharmaceutical Costs

Final Rule Paves Way for Drug Imports to Reduce Patient Outlays

THE DEPARTMENT of Health and Human Services and the Food and Drug Administration have issued a final rule and guidance that paves the way for states to allow pharmacists and wholesalers to import prescription drugs in order to reduce costs for patients.

The final rule implements a provision of federal law that allows FDA-authorized programs to import prescription drugs from Canada under specific conditions, according to a report by *Kaiser Health News*. Prices are cheaper in Canada because the government there caps how much drug makers can charge for medicines, while the free market reigns supreme in the United States.

Even though insulin is not included among the drugs covered by the rule, the Trump administration also issued a request for proposals seeking plans from private companies on how insulin could be safely brought in from other countries and made available to consumers at a lower cost than products sold in the U.S.

Why now?

Congress has allowed drug importation since 2003, but only if the secretary of the Department of Health and Human Services certified it is safe.

That had never happened until this year, when Secretary Alex Azar approved an application by Florida, according to a letter he wrote to congressional leaders.

For decades, Americans have been buying drugs from Canada for personal use – either by driving over the border, ordering medication online or using storefronts that connect them to foreign pharmacies, according to *Kaiser Health News*. Though the practice is illegal, the FDA has generally permitted purchases for individual use.

About 4 million Americans import medicines for personal use each year, and about 20 million say they or someone in their household has done so because prices are much lower in other countries, according to surveys.

How it would work

The administration envisions a system in which a Canadian-licensed wholesaler buys from a manufacturer of drugs approved for sale in Canada and exports them to a U.S. pharmacy, wholesaler or importer that has contracted with the state in which they operate.

To be eligible for importation, a drug would need to be approved by Health Canada's Health Products and Food Branch and needs to meet the conditions in an FDA-approved new drug application.

Essentially, eligible prescription drugs are those that could be sold legally on either the Canadian market or the American market with appropriate labeling.

Under the final HHS and FDA rule, state importation programs will have the flexibility to decide which drugs to import and in what quantities.

The rule also requires drug manufacturers to provide importers with documentation guaranteeing the medications are the same drugs as those already sold in the U.S.

Parts of this report were reprinted from Kaiser Health News. ❖

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More Employers Offering Digital Health Resources

HOW EMPLOYERS ARE BOOSTING BENEFITS

- 27% are adding or improving their telemedicine services (telemedicine for episodic care, artificial-intelligence-based symptoms triage, 'text a doctor' apps and virtual office visits with a patient's own primary care doctor).
- 22% are adding to or improving their voluntary benefits (critical illness insurance or a hospital indemnity plan).
- 20% are boosting their mental health services coverage.
- 12% are offering targeted health services, like for diabetes and other chronic conditions.
- 9% are offering more support for complex cases.
- 4% are offering services to limit surprise billing.

The takeaway

Mercer noted the following trends going into 2021:

Keeping the status quo – A majority of employers are not making any changes to their health plans, including increasing employee cost-sharing, even if premiums climb. Instead they are focused on providing a stable source of coverage for their staff and support as they deal with the effects of the pandemic.

Digital migration – More employers are offering digital health resources like telemedicine, tele-health apps and virtual office visits, for their convenience, safety, efficiency and cost-effectiveness.

Costs uncertain – Due to the effects of the pandemic, cost projections are uncertain. Delayed medical care could translate into a higher utilization in 2021 and hospitals may start charging more to recoup lost revenues from 2020. Or people may have forgone a lot of that care forever. It's too early to tell. ❖

The Big Question

How to Distribute Group Health Plan Rebates to Your Staff

HEALTH INSURERS are paying out $689 million in rebates to group plan sponsors this year, as required by the Affordable Care Act's "medical loss ratio" provision.

The provision requires insurance companies that cover individuals and small businesses to spend at least 80% of their premium income on health care claims and quality improvement. If they spend less, they have to rebate that to their policyholders.

The threshold is higher for large group plans, which must spend at least 85% of premium on health care and quality improvement.

Insurers have been sending out notices of rebates to employers in recent months. For those who have received one, there's always a question of what they should do with the surprise funds.

Rebates are based on a three-year average, so 2020 rebates are calculated using insurers' financial data in 2017, 2018 and 2019.

You received a rebate...now what?

Health insurers may pay MLR rebates in the form of a premium credit or as a lump-sum payment. More than 90% of group plan rebates come as a lump sum.

Once an employer receives this money, it is their responsibility to distribute the rebate to plan beneficiaries appropriately within 90 days, or risk triggering ERISA trust issues.

How the employer distributes the check will depend on how much their employees contribute to the plan, if at all. Here are the basic rules for employers handling their MLR rebate checks:

- If you paid 100% of the premiums, the rebate is not a plan asset and you can retain the entire rebate amount and use it as you wish.
- If the premiums were paid partly by you and partly by the participants, the percentage of the rebate equal to the percentage of the cost paid by participants must be distributed to the employees.

If you have to distribute funds to the plan participants, the Department of Labor provides a few options (if the plan document or policy does not already prescribe how to do so):

- The funds can be used to reduce your portion of the annual premium for the subsequent policy year for all staff who were covered by all of your group health plans.
- The funds can be used to reduce your portion of the annual premium for the subsequent policy year for only those workers covered by the group health policy on which the rebate was based.
- You can provide a cash refund to subscribers who were covered by the group health policy on which the rebate is based.

HOW IT WORKS (EXAMPLE)

- Total premiums paid to an insurance company for a plan with 100 covered employees during 2019 = $2,000,000.
- Total participant contributions during 2019 = $500,000 (25% of total plan premiums for the year).
- The employer receives a $30,000 rebate from the carrier in 2020.
- A total of $7,500 is considered plan assets and must be distributed to the employees (25% of the $30,000).

Tax treatment of cash refunds

If your employees paid for their share of the health premium with pre-tax earnings, the refund would also have to be taxed. But if they paid for their premiums post-tax, they would not be required to pay taxes on the refund (unless they deducted the premiums on their income tax returns).

You must distribute rebates to your staff within 90 days of receiving them. ❖

Coverage Decisions

Helping Your Older Workers Transition to Medicare Advantage

AS HEALTH insurance costs rise and our workforce ages, fewer employers are providing retiree health insurance benefits to their older workers, and are instead asking them to sign up for Medicare.

It's a delicate situation as some older workers may resent being pushed to Medicare, especially if they've worked for their employer a long time. But employers obviously want to keep their employees happy and not risk losing them just because they are asking them to move to Medicare.

The share of people age 65 to 74 in the workforce has been steadily rising for years. It's projected to reach 30% in 2026, up from 27% in 2016 and 17% in 1996, according to the Bureau of Labor Statistics. And among those age 75 and older, the share projected to be working in 2026 is 10.8%, up from 8.4% in 2016 and 4.6% in 1996.

While some employers opt to keep their Medicare-eligible workers on their group health plans, the majority do not. With the Kaiser Family Foundation estimating that only 29% of employers are keeping their Medicare-eligible employees on their company health plans, how can they support transitioning from their employer health plans to Medicare plus supplemental coverage?

If you have employees who will soon be eligible for Medicare and you want to transition them, you can help them and be there for them as a trusted source of information. Here's what you can do to help employees who are nearing retirement to enroll:

Medicare Advantage coverage

There are a number of Medicare Advantage insurers that offer group Medicare coverage, which will help provide a transition from regular group health insurance. The nice thing about Medicare Advantage group health coverage is that often the premiums are quite low compared to regular health plans.

We can help you get set up with a Medicare Advantage group carrier that can take the administrative burden off you. We can send plan materials and other resources directly to your Medicare group members.

You can also choose to have Medicare group members billed directly for their premiums, or you can be billed.

Some carriers will let you customize your group Medicare Advantage plan with different deductibles, coinsurance and copayment amounts.

Help with the 'donut hole'

All Medicare plans have a coverage gap (known as the "donut hole") for medicines. The coverage gap begins after an enrollee and their drug plan (or Medicare Advantage plan) have spent a certain amount for covered drugs. While they are in the coverage gap, which starts after they and their plan have spent $4,130 on pharmaceuticals in a given year, they will pay 25% of the cost of most drugs.

Seniors can't get a plan on their own that offers help through the coverage gap. Retirees can only skip the coverage gap through an employer-sponsored plan. That's where you come in.

By offering your retirees a prescription drug plan with coverage through the gap, you'll help ease the financial burden the coverage gap can present.

Make it user-friendly

For years your employees have been used to the top-shelf open enrollment system you have had in place for them, with support like a hotline, and access to plan information, such as lists of provider networks and formularies, as well as many different mediums for accessing enrollment information (like e-mail and mobile phone apps).

A recent study found that nearly 70% of workers who are 60 years or older find plan comparison and guidance tools valuable as they make health care decisions. Since this is what they are used to, you can provide the integrated, consumer-oriented experience as their employer when it comes to their enrollment in a Medicare Advantage plan.

Educate them about supplemental coverage

Medicare enrollees have access to an average of 28 Medicare Advantage plans, which means they will have a wider array of plans to choose from than they may be used to under their employer's group plan.

They will also likely be bombarded with offers from various plans by mail and e-mail. It's often confusing for many people to sift through the plans and find the one that's best for their life and health circumstances. Many Medicare beneficiaries will seek out an adviser to help them choose the right plan.

In this case, you can contract with us so we can help your senior employees choose the best plan for them. ❖