



Benefits News and Views

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CHIP Reauthorization Act Creates New Special Enrollment Rights, Notice and Disclosure Obligations for Employers

New special enrollment rights, along with notice and disclosure requirements for employers, are among the provisions in the Children's Health Insurance Program (CHIP) Reauthorization Act of 2009, signed into law by President Obama on February 4, 2009. CHIP is the federal program that gives matching funds to states in order to provide health insurance to low income families with children. The Reauthorization Act expands the program, but is also including new special enrollment rights and notice and disclosure requirements for employers.

The law creates special enrollment rights for employees and their dependents who are "eligible but not enrolled for coverage" under an employer's group health plan in two situations: the employee's or dependent's Medicaid or CHIP coverage is terminated as a result of loss of eligibility, or the employee or dependent becomes eligible for a subsidy (see next paragraph) under Medicaid or CHIP. An employee exercising one of these special enrollment rights must do so within 60 days of Medicaid/CHIP termination or becoming subsidy-eligible. (Note that this special enrollment rights period is twice as long as that under the HIPAA special enrollment rights situations.) These special enrollment rights become effective April 1, 2009.

States can provide health care coverage directly to CHIP-eligible individuals, but the law also allows them the option of paying a premium assistance subsidy so that low-income employees can cover CHIP-eligible children under

an employer group plan. The subsidy can be provided to the employee as a reimbursement for premiums paid to the group plan, or to the employer sponsoring the plan. Employers can opt out of receiving the subsidy payment, in which case it will be paid to the employee. The subsidy can only be offered for what the law refers to as "qualified employer-sponsored coverage"—a plan for which the employer contributes at least 40% of the cost, and not including health care flexible spending accounts and high deductible health plans.

In states that provide a premium assistance subsidy, employers will be required to give employees notice of the potential opportunity for the subsidy. Such a notice will need to be provided when notifying the employee of plan eligibility, when open enrollment materials are distributed, or when providing the summary plan description (SPD). The Department of Health and Human Services (HHS) is to develop a model notice by February 4, 2010; this notice requirement will become effective for employers beginning with the plan year after issuance of the HHS model notice.

The law also creates a disclosure requirement for group health plans. The purpose of disclosure will be to help states determine eligibility for the subsidy and its cost-effectiveness. HHS and the Department of Labor (DOL) will form a working group to develop a model disclosure form, and employers will be required to

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Welcome to Our Newsletter!

This monthly newsletter is designed to give you timely and important information regarding employee benefits, government regulations, new products, and other areas of interest to employers and their employees. We value you, your employees, and your business and continue to strive to provide you with the very best products and service available.

Thank you again for your business.

Retirement Financial Planning Tied to Wealth Accumulation

Workers have become less confident about having enough money for a comfortable retirement, according to the Employee Benefit Research Institute's (EBRI) 2009 Retirement Confidence Survey, with confidence levels at their lowest since the survey's inception in 1993. Given the recent economic turmoil this finding should come as no real surprise, but it is a signal to employers to try to do what they can to help employees become more financially educated, so that they will be motivated to take the kinds of actions that help build their confidence...along with their retirement nest eggs. Financial education initiatives by employers are especially important now, because research has found a connection between financial literacy and retirement planning, and between retirement planning and retirement wealth, with individuals who have planned ending up at retirement with twice the wealth of those who have not.

Many households are unfamiliar with even the most basic concepts needed to make savings and investment decisions, according to researchers Annamaria Lusardi and Olivia Mitchell, in a paper published under a grant from the Social Security Administration and the Retirement Research Center at the University of Michigan. This low level of financial literacy is especially acute among those with low incomes and low levels of education, and among minorities and women, and also on issues involving the differences among investment vehicles and on investment concepts such as diversification. The researchers go on to state that individuals who are financially knowledgeable are more likely to have thought about retirement, and more likely to know about concepts such as interest compounding, which is critical for effective savings plans.

The EBRI survey contains similar data on workers' knowledge about their retirement needs. Only 44% of those surveyed said they had tried to calculate the amount of money they will need to have saved by the time they plan to retire, and an equal percentage admit they "simply guess" at how much money they will need for a comfortable retirement.

If we accept the connections between financial literacy and retirement wealth accumulation, what types of programs can employers implement to help employees achieve this end? The researchers note the limitations of one-size-fits-all programs, since individuals differ widely in their degree of financial literacy and savings patterns. Furthermore, some surveys indicate a preference for personalized ways to learn to manage money, rather than information sessions.

Therefore, programs that are targeted to particular employee groups, and communications that are individualized to the particular employee receiving the communication, have the best chance of making an impact. These could include personalized mailings; seminars targeted to workers at different stages of their earning careers (young employees, middle-aged individuals who are balancing various savings needs, and workers nearing retirement); and one-on-one meetings with financial planners.

Other initiatives may benefit some but not all members of a workforce. For example, financial planning seminars, when offered, may be attended by only a fraction of the workforce, and even those who do attend may fail to follow through on implementing what they learned during the session. Therefore, ongoing initiatives are likely to have a longer-lasting impact than a one-time presentation. Also, consider that individuals have different learning styles,



and respond differently to various types of communications vehicles. This should be impetus to utilize the range of information tools available today, including those that are technology-based—such as email and self-service applications—along with more traditional print communications and meetings.

The decline of the defined benefit pension plan has increased the importance of individual responsibility for funding retirement. Workplace programs that increase employees' financial literacy are a key component in employees' adequate preparation for this important task.

Full Replacement Consumer-Directed Plans Yield Greatest Savings

Consumer-directed health care plans can lead to savings for employers, according to two recent studies. Savings are greater for full replacement plans, or when the consumer-directed plan offered as an option is implemented in conjunction with strategies that foster engaged consumerism, education and wellness initiatives.

One of the studies, from Aetna, reviewed health care claims and utilization data from 2.6 million plan members, 410,000 of whom were enrolled in a consumer-directed plan that included a health savings account (HSA) or health reimbursement arrangement (HRA). Cost savings were reported as follows:

- For full replacement plans, employers saved \$21 million per 10,000 members over a five-year period.
- Employers that offered the consumer-directed plan as an option to a traditional health care plan saw \$7 million in savings per 10,000 members over a five-year period.
- Employers that offered the consumer-directed plan as an option, but additionally implemented certain identified strategies, recorded \$23 million in savings per 10,000 members over a five-year period. These strategies included nurturing a workplace culture that encouraged employees to be engaged health care consumers; implementing a focused and ongoing education program; offering wellness programs and incentives for healthy behavior; fully covering preventive health care services; and designing the consumer-directed plan to create the appropriate amount of employee responsibility. This type of high-level plan savings also was achieved by employers offering the consumer-directed plan as an option, when they also encouraged enrollment in the plan through low employee premium contributions and/or increased employer contributions to the HSA or HRA.

Research from the University of Minnesota funded through the Robert Wood Johnson Foundation and the Department of Health and Human Services found that full replacement consumer-directed health care plans achieved a level of savings not seen in previous studies in which employees had the option of choosing another type of health plan. Data from this study came from four large employers covering more than 61,000 plan members, and examined claims and enrollment data for the year prior to and the year following consumer-directed plan implementation. One employer saw a 4.1% decrease in total plan expenditures and another saw a decrease of close to 1%. The other two firms both saw increases, but only of 1.3% and 3.6%, both well below reported national health care cost trends for the year.

Both studies also looked at consumer-directed plan members' use of preventive care services. The Aetna study found that, compared to PPO members, consumer-directed plan members sought preventive care more often, and accessed screenings for diabetes and breast and cervical cancer at the same or higher levels. The Minnesota study, in contrast, found that total replacement consumer-directed plans led to a decrease in use of preventive care services, even though such care was covered at 100% with no cost sharing in the studied plans. The authors speculated that because patients sometimes are reminded of the need for preventive care when seeing a doctor for other reasons, a decline in the frequency of non-preventive care visits could be leading to the observed reduction in use of preventive care. Since regular use of preventive services is important in the maintenance of good health, these latter study findings would indicate that communications and education about the availability of preventive care services under the consumer-directed plan will be needed in order to sustain savings over time.

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disclose information upon request beginning with the plan year following issuance of the model disclosure form.

The law provides for penalties of up to \$100 a day for failure to comply with either the notice or disclosure requirements.

So what should employers be doing now to get up to speed on this new law?

- Identify all states where employees reside and determine whether the state provides a premium assistance subsidy.
- Review health plan documents and amend them as necessary to provide for the new special enrollment

rights. As noted above, employees are able to exercise these special enrollment rights effective April 1, 2009.

- Review any health insurance contracts' coordination of benefits (COB) provisions, because states will be the secondary payer for services provided under employer group health plans for which a premium assistance subsidy is provided.
- Stay alert to developments from the DOL and HHS concerning this law, and be prepared to take compliance steps as soon as the model notice and disclosure forms are released.

Picking a Long-Term Care Plan for Your Company

Long-term care needs increasingly are on the minds of U.S. employees. Some studies estimate that as many as one in four workers assists in the care of an elderly loved one. Having experienced caregiving firsthand and marching toward their senior years, more and more employees are likely to be thinking about what their long-term care needs may someday be, who will provide this needed care, and how they will pay for it.

Of course, it's not only seniors who need assistance with the activities of daily living, as illness or injury can render one in need of assistance at any age. In any case, when employees become preoccupied with meeting a loved one's long-term care needs—or when thinking about their own—their productivity in the workplace can suffer. This reality makes long-term care an issue for employers as well, and the case for adding long-term care insurance to a company's employee benefits offerings persuasive.

If you decide to shop for a long-term care plan to add to your company's employee benefits package, the most important decision is which carrier to choose. While financial stability and commitment to the product are important in choosing a carrier for any type of insurance, these are particularly important considerations for long-term care insurance, since the industry—though still relatively young—has seen the entry, and then exit, of numerous vendors. Since long-term care is an insurance product that most employees won't use for many years after they first purchase it, it is critical that they trust the carrier will still be around when they claim benefits under the plan. Research a carrier's track record in the long-term care market and try to get a handle on whether it seems committed to stay in the market in the future. Of course, an insurer's overall financial stability is critically important, too, and for this consult the insurance rating services. But don't be drawn to a carrier based on its overall ratings alone; try to assess its strengths specifically as a long-term care insurance carrier.

When assessing carriers, also look for those with good communications tools and a willingness to do what it takes

to help employees understand the long-term care insurance product. Most employees will not be familiar with how long-term care insurance works, may not understand how it differs from medical coverage, and may not think they have a need for it, incorrectly presuming that Medicare pays for all nursing home and home health care needs. Therefore, the skill of the carrier in communicating the product will be critical to employees signing up for the coverage.

Long-term care plan designs can vary, making this another decision when shopping for a plan. Basic variables include the amount of the daily benefit (for nursing home care, home health care and adult day care), the length of time for which the benefit will be paid, the elimination period, and inflation protection. Many companies that offer a long-term care benefit will offer employees a range of plan choices that differ on these various design elements.

Though typically a standalone plan, long-term care also can be a rider to a life or disability plan. A company can offer it on a voluntary basis, or pay some or all of the cost of the plan. Some companies open a long-term care plan to all employees, while others offer it as an executive carve-out. These choices illustrate the potential flexibility of a long-term care insurance plan. Thus, a company's choice of long-term care plan can be a strategic and financial decision based on its benefits budget and goal in implementing the plan.

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Questions?

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