

Communicating Benefits: The Times They Are A'Changin

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Many employees fail to read benefit communications. But because of health care reform, it's especially important that employees do not ignore health care benefit communications—particularly annual enrollment material. Doing so can mean missed opportunities, misunderstandings, miscalculations for flexible spending accounts and a host of other problems. The author suggests points to consider in communicating changes created by health care reform—including a subtle message that costs may increase.

It's June and we are still receiving requests from employees to void their default election into employee-only medical coverage.

"I declined coverage last year and I thought my election would just roll over into this year" is the excuse most employees offer for their mistake, despite the fact that the requirement appears several times in the annual enrollment communication material.

We've come to terms with the fact that most employees don't read benefit communications. We've tried to win at least some modicum of attention by employing different media from hard copy to electronic communications to voice-mail messaging and even flashing LED signs placed in strategic locations, but benefit communications hold as much interest as reading an appliance manual. All anyone wants to know is where the "on" button is located, and they only want to know this when the need arises.

Welcome to 2011. Like the Bob Dylan song, "the times, they are a-changin. . . ." Thanks to health care reform, it won't do for employees to ignore benefit communications anymore, particularly annual enrollment material. Ignoring benefit communications material for 2011 could result in:

- A missed opportunity to enroll a de-

pendent who otherwise would have lost eligibility because he/she aged out of the plan or lost student status or married

- A misunderstanding about the taxation of benefits for an older dependent child
- Automatic enrollment into a medical plan for new employees and retention of coverage for current employees whether they want coverage or not. (Effective date has not been specified; consequently, effective date could be March 23, 2010 or may be as late as plan year 2014.)
- A miscalculation of health care spending goal amount if employees fail to recognize that over-the-counter medications (unless prescribed by a doctor) are no longer eligible for reimbursement beginning January 1, 2011
- A surprise when the value of employment-based health benefits appears on W-2s beginning with the 2011 tax year
- No realization of what it means if the group health plan is "grandfathered"
- Potential for 20% tax penalty on nonmedical withdrawals from health savings accounts beginning January 1, 2011

- Overlooking good news in the form of increased adoption assistance exclusion to \$13,170 for tax years beginning on or after December 31, 2009
- A missed opportunity to elevate the value of employer-sponsored health benefits now that medical coverage is no longer subject to a lifetime maximum and annual benefit restrictions on essential benefits will be a thing of the past
- Forgetfulness that the TANSTAAFL (there ain't no such thing as a free lunch) idiom impacts plan costs.

If you haven't already done so, it's time to implement a health care reform communications campaign. Employees need to know how they will be affected by health care reform, and that includes a subtle message that costs might increase because of these changes.

Yes, we've established that employees' eyes glaze over when they are presented with IMPORTANT DO NOT IGNORE information; however, plan sponsors still have a responsibility to put the word out there. Waiting until annual enrollment to communicate the changes wrought by health care reform isn't such a good idea (reread opening sentence). Set the stage now by featuring brief articles on the company intranet site at regular inter-

vals, and then reiterate important messages at annual enrollment. Focus on immediate reform changes; keep articles brief and messages tied to the WIIFM (what's in it for me) principle. Here's a model communication campaign time line.

Health Care Reform 101

Provide a high-level overview of upcoming changes to your benefit program in 2011 as a result of the Patient Protection and Affordable Care Act of 2010 (health care reform). If your plan is grandfathered, briefly touch on upcoming changes:

- Extended coverage for children, up to the age of 26 (no full-time student requirement)
- Elimination of lifetime limits
- Elimination of annual restrictions on nonessential benefits, except as permitted by Health and Human Services
- Elimination of over-the-counter medications as an eligible health care spending account reimbursement
- Availability of a public long-term care plan (if your company chooses to allow payroll deductions)
- W-2 reporting.

Since final regulations aren't likely to appear anytime soon, tell employees that "the wheel's still in spin." You don't know the full extent of the impact to the company and its employees, but once the information is made public you'll share it with them. Prepare employees for potential increases in contributions by including a statement to the effect that costs will likely increase as the company implements the changes required by regulations.

If your plan is not grandfathered, you have a longer laundry list of to-dos including all of the above and more (not an all-inclusive list):

- No cost sharing on preventive care services
- A requirement for internal and external appeal processes
- Access to nonnetwork emergency care, pediatricians and obstetricians/gynecologists
- No preexisting exclusions on dependents younger than age 19
- Quality reporting requirements

- Coverage for clinical trials
- Revised appeal processes.

Dependent Coverage to the Age 26

Employees with older children will pay attention to this item, so be sure to anticipate their questions. In fact, a Q&A format might be the most effective means of relaying information. Here are some questions employees might ask:

- Who qualifies as an adult dependent child?
- Who does not qualify as an adult dependent child?
- When does coverage for an adult dependent child end?
- What plans extend coverage to the age 26?
- What plans do not extend coverage to the age of 26?
- Are there any tax consequences for covering adult dependent children to the age of 26?
- Will it cost more to cover an adult dependent child to the age of 26?
- When can I enroll my child?

Answering these questions requires research. Decide whether or not you will extend dependent coverage up to the age of 26 to excepted benefits such as stand-alone dental and vision care and even dependent life insurance. Weigh the pros and cons of extending coverage to such dependents. Determine when coverage ends—on the dependent's 26th birthday, or at the end of the month in which the dependent attains age 26 or at the end of the year? Plan for the special enrollment period, and don't forget to communicate with COBRA beneficiaries.

Flexible Spending Account Restrictions

It may sound like a simple thing to eliminate over-the-counter (OTC) medications as expenses eligible for reimbursement through a health care spending account, but "it'll soon shake your windows and rattle your walls." It's important that employees know this change is coming and that it is effective January 1, 2011 for all plans and all participants, even those whose plans provide for an extended reimbursement period. Advance notice gives employees a chance to use their health care spending account

dollars to purchase OTC medications before January 1, 2011. Be sure to include answers to the following questions in your communication about the upcoming changes to health care spending accounts:

- What's changing for 2011?
- What are some of the OTC medications that will no longer be eligible for reimbursement without a doctor's prescription beginning January 1, 2011?
- Since my plan provides for an extended reimbursement period, can I submit OTC expenses for reimbursement after December 31, 2010?
- If I get a doctor's prescription, can I receive reimbursement from my health care spending account?
- What documentation is needed to approve an OTC medication for reimbursement after January 1, 2011?
- What about such OTC items as bandages, reading glasses and contact lens solutions?
- Can I use my debit card to pay for such covered health care items as bandages, contact lens solutions, reading glasses, etc.?
- What if I purchase an OTC medication in November but do not submit the expense to my spending account until February 2011?
- What about insulin and diabetic supplies?

Plan Limits

Beginning January 1, 2011, lifetime limits on essential benefits are a thing of the past. A plan may impose annual limits on essential health benefits for plan years beginning on or before January 1, 2014, but these limits are subject to minimums that increase over time from calendar year 2011 to calendar year 2014. Since plans are awaiting further guidance on the definition of *essential health benefits*, there isn't much that employers can tell employees about this change other than the fact that the lifetime limit is gone and the plan will use good faith efforts to interpret the term *essential benefit* consistent with the spirit of the law. Employees might ask:

- When does the lifetime limit on medical plans go away?
- What about annual and lifetime limits for dental benefits?

- What are *essential health benefits*?
- Will costs go up because of this change?

W-2s

Nowhere is the “no surprises” rule more important than in people's wallets. Beginning with the 2011 tax year, employers will need to include the value of employment-based health coverage on W-2s. Although employees won't see the first affected W-2 until January 2012, it's best to mention it early on and dispel any rumors that might be circulating. Repeat the message at the end of 2011.

Here are a few sample questions:

- What will be reported on my W-2?
- How is the value of coverage determined?
- Why does the government want to know this information?
- Will I be taxed on the value of my coverage?

What Else?

Get the message across that changes associated with health care reform will result in increased costs, at least for the

short term. Immediate changes, like expanded eligibility and enhanced plan design, and later changes, like the comparative effectiveness research fee and the new tax on medical device sales, will impact plan costs. Although “grandfathering” impedes an employer's ability to pass increased plan costs to employees, someone's got to pay (TANSTAAFL).

Make sure that you include a statement on your annual enrollment material that the communication serves as a material modification to the plan. “Keep your eyes wide” on health care reform developments and share this information with employees as it becomes available. If

your company plans to continue offering health care benefits to employees, tell employees that the new law will not change your organization's commitment to provide competitive and comprehensive benefits.

To quote Bob Dylan one last time, “The line it is drawn. The curse it is cast. For the times they are a-changin.” Health care reform is reality. It's incumbent on plan sponsors to educate employees on what reform means for them. And the sooner employees get the message, the better.

Author's note: Opinions expressed in this article are solely those of the author.



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