

## COMMUNICATING CHANGE AS IT HAPPENS

*By Dan Tipton*

Across the country these days, HR professionals are even more popular than during open enrollment. The topic filling their inboxes and voicemail? **Health care reform**. As discussion continues on the implications of recent legislation, employers are addressing how to keep up with and communicate the coming changes within their organizations.

“It is a lot of information for human resource professionals to decipher and it’s going to come in waves,” said Jacob Aufschauer, Senior Director of Human Resources for Southeastern Pennsylvania Transportation Authority (SEPTA). “But now is the time for employers to begin a dialogue with their employees about the impact of health care reform in order to counter widespread misinformation and rhetoric. You have to be proactive.”

A 2010 Global Workforce Study conducted by Towers Watson & Co. in Stamford, CT gauged employees’ understanding and expectations of health care reform. More than two-thirds of respondents expected their benefits to cost more in the future. In addition, more than half expected the reform package to reduce their benefits and lower their quality of care.

To address employee anxiety and make health care information easily accessible, SEPTA implemented HR Connect, a program to encourage HR personnel to communicate with employees face-to-face on shop floors and in the field. “The program gives our HR personnel an opportunity to join employees in the field and talk one-on-one,” Aufschauer said. “We need to know what is being communicated effectively and what isn’t. Communication is an essential component of any successful company and it takes a lot of work.”

The vast array of benefits choices is accompanied by an equally large range of communication tools in addition to FAQs and other basics, such as group information sessions for managers and employees and even healthcare reform “clinics” and hotlines.

The Board of Pensions, PC, the board responsible for the Presbyterian Church’s (U.S.A.) benefits, holds quarterly staff meetings and weekly department meetings with question-and-answer sessions on upcoming changes. “Access and affordability are hallmarks to our program,” said Patricia Haines, Senior Vice President, Benefits. “With so many changes coming in, you have to provide a combination of broad context and incremental updates to help keep employees well informed at all times.”

At Carpenter Technology in Reading, managers of the 3,000-employee specialty alloy company have been recruited to help deliver information about health care reform to employees. During annual total rewards meetings, managers were presented with message maps detailing the 2011 changes as well as general information about what to expect in years to come, said Tammy Koch, Associate Vice President for Total Rewards & People Strategy.

Carpenter, SEPTA, and The Board of Pensions, PC also encourage employees to use the company intranet or other means to submit questions and comments related to the legislation. “It is difficult to get their attention. We are constantly competing against other media – Facebook, Twitter, television, etc...,” Haines said. “It’s not easy.”

***Dan Tipton is Principal and Owner of Tipton Communications.***

**HEALTH REFORM:  
SOME THINGS ARE STILL CONSTANT,  
THOUGH IT'S HARD TO TELL FROM ALL THE CHANGES YOU'RE MAKING**  
*By Peter R. McClung*

Merriam Webster defines "reform" as "to put or change into an improved form or condition." The Patient Protection and Affordable Care Act (PPACA) passed earlier this year will have the largest impact on the health care system in the US since the Medicare was passed in 1965. Change takes effort, even if the change is toward improvement, and the moving pieces resulting from the PPACA are still very much in motion.

While one employee is excited about adding her 24-year-old dependent back onto your program, and another is looking forward to free preventive care, there are real costs associated with these provisions. "Free" sounds like a winner, but having employees connected with program cost increases is key. You know what the new provisions will cost the plan, but do your employees?

As you watch the reporting provided by your medical carrier or note the rise in your insured renewal rates, employees may not know or expect that costs are increasing based on their usage of the health care system. Health Care Reform addresses many of the access-to-coverage issues for individuals and employees, but doesn't yet mitigate the sources of specific health care cost increases for your plan. If you haven't already published how much you, the employer, contribute toward employee coverage, as well as trend rates, on your intranet or in a personal statement to employees, now is the time to let them know how health care cost increases affect your business's bottom line.

**The costs of your plan could be affected by the PPACA in many areas, including:**

Lifetime Limits	Tax Credits for employers
Annual Limits	Treatment of Stand-Alone Dental plans.
Pre-existing Conditions	New Appeal Requirements and External Review Requirements
Wellness and Preventive Benefits	New Uniform Coverage Documents

**There are also provisions in each of these categories that could impact your total plan cost:**

- While HIPAA prohibits discrimination against individuals based on health factors, plans can provide premium discounts, incentives, cost sharing variables, or other rewards based on a person's health status, provided the program meets certain defined criteria.
- A waiver program to allow certain health plans to continue annual benefit limits is awaiting announcement by the Secretary of HHS.
- The definition of "essential benefits" will affect whether certain benefits can have dollar maximums, such as chiropractic.
- If you don't currently offer coverage for dependents, you are not required to extend coverage to them currently.
- Annual limits on benefits will be increased during the 2010 – 2013 transition period until eliminated completely in 2014.
- While the PPACA establishes minimum standards related to care, many state mandates will not prevent the overall application of PPACA, and thus will be continued.

So how much will all the new provisions cost? According to a recent Mercer national survey, 25% of the 791 respondents expect 2011 required compliance to add at least 3% to their projected plan costs, with about 10% expecting 5% or more. (<http://www.mercer.com/referencecontent.htm?idContent=1380755>). The rate of increase will vary based on current provisions, such as existing student age limit and extent of preventive care coverage.

Employees expect that plan costs will be directly impacted by health care reform, but the *direction* may not be what they're expecting. You likely have your plan implementation strategy in place, but now is the time to engage your employees on how much *and why* costs are rising.

***Peter R. McClung is VP, Client Management, National Accounts Aetna.***

## LEGISLATIVE UPDATE

*By Chris Marren*

It's hard to remember a time in the industry with so much legislative activity. Since our in-boxes are continuously pinging with Alerts and Bulletins on various topics, we don't want to set you back further as you attempt to catch up on all that reading. Instead, here are some recent topics that have received a lot of press since our last newsletter:

**July 14 – Coverage for preventive services under the PPACA.** Interim final rules released by IRS, DOL, and HHS for group health plans and health insurance issuers. Plans must cover without copay, coinsurance, or deductible certain preventive services that have “strong scientific evidence of their health benefits,” including:

- Evidence-based preventive services
- Routine vaccinations
- Prevention for children
- Prevention for women

**July – COBRA Subsidy.** DOL issued a statement confirming that as of May 31, the subsidy *eligibility period* ended. This did not mean that the subsidy was no longer available, only that no new elections could be made. Individuals who were subsidy-eligible prior to 5/31/10 are still entitled to the full 15 months.

**August – Pennsylvania’s “Mini-COBRA” Law.** House Bill 1251 signed by Governor Rendell. Pennsylvanians employed by an employer with fewer than 20 employees who were involuntarily terminated between September 1, 2008 through May 31, 2010 and whose COBRA premium subsidy terminated after nine months can receive the COBRA premium subsidy for an additional six months. Employers should be aware of the following:

- An individual involuntarily terminated by a Pennsylvania employer with fewer than 20 employees between September 1, 2008 and May 31, 2010 is entitled to a COBRA premium subsidy for up to 15 months from the date of involuntary termination.
- An involuntarily terminated individual whose Mini-COBRA rights were previously terminated after nine months has the right to reinstate COBRA coverage and receive the COBRA premium subsidy for up to six additional months.
- Individuals who were involuntarily terminated on or after June 1, 2010 by a Pennsylvania employer with fewer than 20 employees between September 1, 2008 and May 31, 2010 are entitled to a COBRA premium subsidy.

**PPACA Early Retiree Reinsurance Program.** This program was enacted to defray the cost of providing retiree health coverage to “early retirees” who are not employed by the sponsor and who are 55 years of age or older but not yet Medicare eligible until 2014, when insurance exchange/federal subsidies become available. The program, designed to pay 80% of claim cost for claims between \$15,000 and \$90,000, is temporary because only \$5 billion is available. To be eligible for reimbursement, claims must be for costs incurred during the program’s existence (i.e. through January 1, 2014). Plans can receive program payments for medical, surgical, hospital, and prescription drug costs or other benefits as the HHS Secretary determines, and plans must use program payments to lower costs for the plan. Instructions and applications can be found at [www.hhs.gov](http://www.hhs.gov).

**PPACA Extension of Dependent Coverage.** Section 1001 of the Act requires group health plans and issuers of group and individual coverage to make child dependent coverage available until the age 26. For plan years beginning after September 23, 2010, group plans already providing dependent coverage for children must extend eligibility for that coverage to dependents up to age 26 years of age. HHS has defined an eligible “dependent” as a child who has not attained age 26. Individual carriers have made decisions to adopt the coverage/mandate sooner than required for certain segments or universally, or have given employers the option to do so. Eligibility criteria based on factors such as student status, financial dependency, or residency can no longer be imposed by plans or carriers.

***Chris Marren is Director, Benefits Consulting & Administration at Elite Group, LLC.***

**SEPARATING FROM YOUR EMPLOYER?  
HERE'S A HANDY PARTICIPANT CHECKLIST**  
*By Phil Zimmerman, CFP®*

- Keep a file of your benefits information in the same area as your will or other estate planning documents. Don't have a will? You're not alone—a staggering percentage of the population doesn't either. Not having a will means your probate assets (basically anything that is not a retirement account or insurance policy) will only be able to be passed on to your beneficiaries through a messy and complicated process administered by the state. In other words, please have a will done! Keeping the information together with your estate planning documents makes it easier to update beneficiaries when things change, and makes it infinitely easier for the executor of your estate to track everything down later.
- Check your beneficiary designations to make sure they reflect your current wishes. The assets in your 401(k), IRAs, and the proceeds of your insurance policies pass by the beneficiaries on file at the respective providers, **not by your will**. If your will says something other than what the beneficiary designations say, the beneficiary designations win. Take the time to name individuals as beneficiaries. If you name your estate, it will take much longer for your beneficiaries to receive the assets. If non-spouses are the beneficiaries of your retirement accounts, be certain they are aware they should establish a beneficiary IRA for those assets. If they bring the assets into their own IRA, the money will be subjected to taxes and penalties that could be as high as 50%. Spouses who are under 59½ and younger than the retirement account holder should also use the beneficiary IRA. Mistakes in this arena are generally **not fixable**, so having the right beneficiary designations and properly handling these assets when they are passed on to beneficiaries is critical.
- Examine the holdings in your 401(k) in relation to the rest of your portfolio to make sure you are adequately diversified. Investing in several funds does not insure you are diversified; i.e. owning an S&P 500 Index Fund, a large-cap growth fund, and a large-cap value fund is redundant. Consider international, small-cap, bonds, etc. Consolidating prior employer 401(k)s into one IRA makes keeping track of your investment allocation and beneficiary designations easier. In some cases, having a larger amount of assets concentrated in one account reduces fees. If you go to work for another employer, you may also be able to roll the assets from your prior employer's plan into your new employer's plan.
- If you have shares of stock in your plan, consider Net Unrealized Appreciation (NUA). You can withdraw shares from the plan and pay ordinary income tax on your cost basis in the stock. If you hold it for 1 year + 1 day after withdrawing, the value above your cost basis is subject to long-term capital gains rates which are generally much lower than ordinary income tax rates. If your cost basis is low and the stock has appreciated or you anticipate that it will, this may be an attractive strategy.
- Evaluate converting to a Roth IRA. Income limits for eligibility to convert to a Roth IRA were eliminated beginning 1/1/2010. Conversion is not beneficial for everyone, but can be for those who are not going to need to draw on the assets for 10-15 years or more and those who have enough assets beyond their retirement accounts and ultimately want to pass their retirement accounts down to the next generation. If the retirement account holder has the liquid assets to pay the taxes on the conversion, this is generally more favorable.
- If you have employer stock options, keep a schedule of expirations so options that are in the money don't fall through the cracks.

- Check your health plan provisions to make sure you understand how long you are covered after separating from your employer and what your options are in terms of COBRA.
- Check your flexible spending account balances to make sure you don't lose money you have deferred into those plans.

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***Phil Zimmerman, CFP® is an Assistant Vice President and Wealth Management Advisor at Merrill Lynch.***

## WITH YOUR HELP, PEBA CONTINUES TO GROW

*Spread the word about PEBA!*

*We welcome the following member companies who joined in recent months:*

### **GSI Commerce**

*(Suzanne Baker, Benefits Specialist)*

In 2009, GSI celebrated its tenth anniversary of providing e-commerce and interactive marketing solutions to more than 200 well-known brands and retailers across 15 merchandise categories.

### **Hahnemann University Hospital**

*(Stephen W. Krouse, Director, Human Resources)*

Located in the heart of Philadelphia, Hahnemann University Hospital provides quality care in an academic setting. In 1986, they became a Level 1 Regional Resource Trauma Center for adults.

### **Johnson & Johnson**

*(Helen T. Booth, Project Manager)*

J&J embraces research and science, bringing innovative ideas, products, and services to advance people's health and well-being. They have more than 250 operating companies in 60 countries, employing 114,000 people.

### **Presby's Inspired Life**

*(Michelle Bryk, VP of Human Resources)*

For over 50 years, Presby's Inspired Life has provided quality senior living environments in the greater Philadelphia region. They create affordable housing for more than 2,600 residents in 25 communities through the work of 1,100 employees.

### **Riverside Consulting Group**

*(Edward Potts, Benefits/Human Resources Consultant)*

Riverside Consulting Group is a full-service health care and group benefits consulting firm, helping employers from all industries and sizes develop and execute strategies that maximize their benefit investment.

### **Title Resource Group**

*(Kichana L. Schetzle, Comp & Benefits Analyst)*

Headquartered in Mount Laurel, NJ, Title Resources Group (TRG) is a full-service title, settlement, and vendor management services company serving real estate companies, corporations, and financial institutions in support of residential and commercial real estate transactions.

### **WSFS Bank**

*(Anita Marzulli-Bozzo, AVP, Human Capital Management)*

Promoting the mission, "We stand for service and strengthening our communities," WSFS Bank is a service-oriented, locally managed, community banking institution.

### **Berkshire Associates Inc.**

*(Beth Ronnenburg, VP Client & Admin & Services)*

Founded in 1988, Berkshire specializes in human resources and affirmative action. By using the latest technology, Berkshire Associates creates user-friendly software products for HR professionals.

### **CAPTRUST Financial Advisors**

*(Jason Bart, Vice President, Financial Advisor)*

CAPTRUST, created in 1989, provides institutional and private investors an independent and objective choice for financial advice and fiduciary support.

**Colonial Life**

*(Jeff Bolmeyer, District General Agent)*

Headquartered in Columbia, SC, and founded in 1939, Colonial Life offers a broad line of personal insurance products including disability, accident, life, cancer, critical illness, hospital confinement, and limited benefit medical coverage.

**Community Behavioral Health**

*(Leslie Edwards, Benefits & Wellness Manager)*

Community Behavioral Health (CBH) works in partnership with the City of Philadelphia and the Commonwealth of Pennsylvania to provide mental health and substance abuse services to the city's 420,000 Medicaid recipients.

**Ethicon Endo-Surgery, Inc.**

*(Jeff Duperon, Healthcare Policy & Economics Manager)*

By working as a team with patients, physicians, payors, and providers, Ethicon Endo-Surgery offers ongoing support, better access to care, earlier detection, and less invasive treatments for faster/easier healing and healthier patients.

**Firsttrust Financial Advisors**

*(Paul Markowich, Certified Financial Planner)*

A wholly owned subsidiary of Firsttrust Bank, Firsttrust Financial has over 20 years of experience in wealth management, financial planning, employee benefits, and advanced life insurance planning.

**Goddard Systems, Inc.**

*(Kristen Irej, HR Manager)*

Named #1 childcare franchise in the United States by Entrepreneur Magazine for the seventh consecutive year (January 2008), Goddard Systems, Inc. is headquartered in King of Prussia and currently licenses over 280 franchised schools in 37 states.

***Sana Moody, a junior at Mastery Charter School, was a recent HR Intern at Holy Family University through WorkReady's summer internship program.***

***Renée L. Rosenfeld, CEBS, SPHR, is Assistant VP for Human Resources at Holy Family University.***

## HEALTHCARE REFORM: SPECIFIC IMPACT/RULES

*By Renée L. Rosenfeld, CEBS, SPHR*

Signed into law in March, the Patient Protection and Affordable Care Act (PPACA) covers 32 million people at an estimated cost of \$938 billion. This massive legislation (1,100 pages) will be rolled out over the next 9 years, and many of the statutes are yet to be defined. In the meantime, are you prepared to implement the healthcare reform initiatives with fast-approaching effective dates?

Here is a quick synopsis of the changes effective in 2011, perhaps even sooner if your health plan's effective date(s) kick in prior to 1/1/11.

**Adult children to age 26:** Health plans must extend child eligibility (but not necessarily the subsidy) to age 26. Dependents can be married, do not have to live at home, and do not have to be claimed on parents' income tax return.

**Maximums removed:** Health plans must eliminate lifetime and most annual dollar maximums as well as pre-existing conditions for children.

**Over the counter (OTC) drugs:** Employees in HSA, FSA and HRA accounts will no longer be reimbursed for OTC drugs unless the drug is prescribed by a physician.

**CLASS Act:** The Community Living Assistance Services and Supports program (CLASS) establishes a national, voluntary insurance program for purchasing community living services that is designed to expand options for people who become functionally disabled and require long-term help for their impairment. Employers may choose to support auto-enrollment and payroll deductions.

**HSAs non-QME:** The penalty for HSA withdrawals increases from 10% to 20% for non-qualified medical expenses.

**W-2 Reporting:** W-2s for 2011, to be delivered in January 2012, must report the value of benefits provided for each employee's health insurance coverage.

For additional information, contact your insurance carrier or broker today!

***Renée L. Rosenfeld, CEBS, SPHR, is Assistant VP for Human Resources at Holy Family University.***