

Employee Benefits & Workers' Comp News



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COBRA Basics

COBRA, the Consolidated Omnibus Budget Reconciliation Act of 1985, allows qualifying people formerly covered by an employer's group plan and their dependents to temporarily continue health coverage at group rates. Employers who don't understand their COBRA obligations can face penalties.

Certain employer-sponsored health plans must offer COBRA continuation coverage to employees who undergo a "qualifying event" that causes them to lose group health coverage.

Which employers must comply with COBRA? An employer must offer COBRA continuing coverage if it had 20 or more employees in the prior year and offers a group health plan. Please note that COBRA will apply to some employers that do not have to comply with the Affordable Care Act because they have fewer than 50 employees. As long as you have 20 or more employees and offer group coverage, COBRA applies. Each part-time employee counts as a fraction of a full-time employee, with the fraction equal to the number of hours that the part-time employee worked divided by the hours an employee must work to be considered full-time. If you employ a lot of part-time employees but have fewer than 20 employees on your health plan, COBRA rules still apply to your plan.

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This Just In

In January, the House of Representatives passed a bill that would exempt more small employers from having to provide health insurance to employees. When employers are counting employees to determine if the Affordable Care Act's coverage mandate applies, H.R. 22 would exempt employees who get health benefits through the Tri-Care military benefits program or from the Veterans Administration. That would effectively reduce the number of small employers affected by the Act's "employer mandate."

The Act requires employers with 100 or more full-time equivalent employees to provide health insurance to at least 70 percent of full-time workers (95 percent in 2016) or pay a fine.

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Which employees are eligible for COBRA continuation benefits? An employee must have had coverage under the group health plan on the day before a “qualifying event” occurs. “Qualifying events” include:

- ✱ Termination of employment, unless it is for gross misconduct, or a reduction in hours worked (e.g., from full-time to part-time) that causes loss of benefits.
- ✱ An employee’s death, divorce, legal separation or eligibility for Medicare.
- ✱ A change in status of a covered dependent or spouse. Under the Affordable Care Act, children can remain on a parent’s plan until age 26. This applies regardless of whether they are a student, dependent or even married.
- ✱ Being called up for active military duty.

Types of coverage. Employers must offer COBRA beneficiaries the same coverage and coverage choices (such as during open enrollment periods) as they do to non-COBRA beneficiaries. Any benefit changes for active employees will also apply to COBRA beneficiaries.

Length of coverage. COBRA provides for up to 18 months’ coverage for qualifying events such as job termination or a reduced work schedule. Certain qualifying events, or a second qualifying event during the initial coverage period, may extend coverage to a maximum of 36 months. COBRA coverage begins on the date that benefits would otherwise have been lost because of a qualifying event. An employer may terminate coverage if a beneficiary does not pay premiums on time,

or if the employer stops offering any group health plan.

Notification and election. In the case of divorce, legal separation or a dependent’s change of status, such as turning 26, a qualified beneficiary has 60 days to notify the plan administrator. The administrator then has two weeks to notify the person entitled to COBRA benefits, who must decide within 60 days whether to elect coverage. Keep in mind that although an employee may choose coverage on behalf of all other qualified beneficiaries, each beneficiary has the right to independently elect COBRA coverage. For example, if an employee has a family member with an illness at the time he is terminated, that person alone can elect coverage, should he choose.

Cost of coverage. In most cases, the beneficiary pays the full cost of the insurance premiums. In fact, employers may charge up to 102 percent of the premium and keep the extra two percent to cover administrative costs. COBRA beneficiaries must make the initial premium payment within 45 days after the election date, and employers can terminate COBRA coverage if payments are late.

Special rules apply to reservists called up for military service. If military service is for 30 or fewer days, military members and their dependents can continue their coverage at the same cost they were paying before their short service. If military service is longer, the employer can require the reservist and dependents to pay as much as 102 percent of the full premium for coverage. However, the military’s health plan should cover a family in this situation.

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That provision became effective this year after a one-year delay.

Rep. Rodney Davis, R-Ill., who introduced the bill, said it could also boost hiring of veterans among small businesses. The bill passed unanimously in the House. A similar bill awaited action in the Senate as this issue went to press.



State law. Most states have laws concerning the continuation of benefits. Some cover all employers, including small employers, so your organization might be subject to a state law even if your company is exempt under the federal COBRA law. To find out more about your state’s laws regarding continuation of coverage, contact your health insurance broker or an employment law professional. Be sure to inquire about the types of benefit plans covered, eligibility rules, what constitutes a qualifying event, notification requirements, length of coverage and how coverage may be terminated.

In our next issue, we’ll cover COBRA audits and how they can save you money. If you’d like more information on administering your COBRA obligations in the meantime, please contact us. ■

IRS, HHS Cracking Down on “Skinny Plans”

Proposed regulations would close a loophole that allowed certain employers to skirt the Affordable Care Act’s minimum value requirement.

Background

The Affordable Care Act applies to employers with 50 or more full-time equivalent employees. It requires them to offer their full-time employees coverage that:

- ✱ Is affordable. The employee’s share of the annual premium for the lowest priced self-only plan can be no greater than 9.5 percent of annual household income.
- ✱ Meets minimum value standards. The law defines a minimum value plan as one designed to pay at least 60 percent of the total cost of medical services for a standard population.
- ✱ Covers certain “essential health benefits,” or ten broad areas of treatments and services. The Affordable Care Act requires all health plans offered in the individual and small group markets, both inside and outside of the health insurance exchanges, to cover essential health benefits. It also prohibits plans from placing annual dollar limits on these essential health benefits for plan years starting January 1, 2014.

The essential health benefits provision—arguably the most costly portion of the law—does not apply to large group health plans. This creates a loophole for large employers, generally those with 101 or more employees. Although large group plans must cover

preventive care services with no copayment, they do not have to cover “essential health benefits.”

Skinny Health Plans

Skinny plans designed to meet ACA requirements for large employers cover the ACA-required preventive services. To keep premiums low, however, they do not cover the “essential health benefits,” or place a very low limit on those benefits, such as \$100 per hospitalization. This allows insurers to develop skinny plans that cost only a fraction of what an ACA-compliant plan would cost.

Although skinny plans meet the ACA’s affordability standard—because they don’t cover much—they do not meet the minimum value standard. A health plan meets this standard if it’s designed to pay at least 60 percent of the total cost of medical services for a standard population.

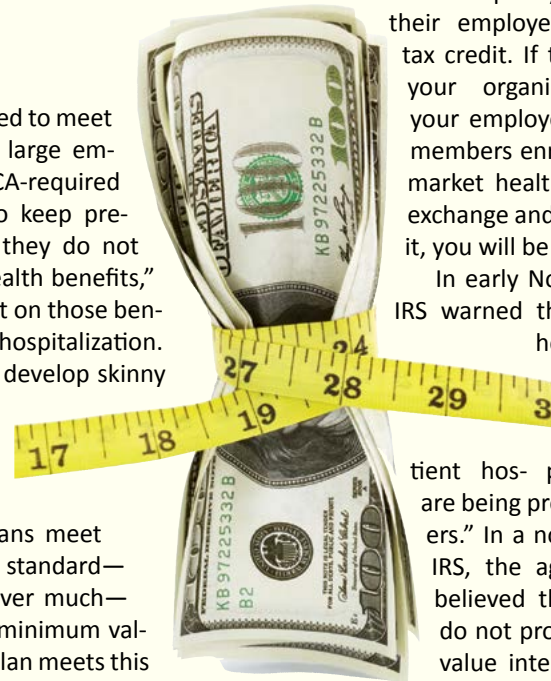
The ACA makes a premium tax credit available to individuals who do not receive qualifying employer health coverage, if their household income is between 100 percent and 400 percent of the federal poverty level. This allows them to buy coverage on the in-

dividual market. People who receive an offer of ACA-qualifying coverage from their employer cannot get the tax credit. If the ACA applies to your organization and any of your employees or their family members enroll in an individual market health plan through an exchange and receive a tax credit, you will be subject to a fine.

In early November 2014, the IRS warned that “certain group health plan benefit designs that do not provide coverage for inpatient hospitalization services are being promoted to employers.” In a notice issued by the IRS, the agency said that it believed that such plans “... do not provide the minimum value intended by the minimum value requirement.” The IRS said that it and the Department of Health and Human Services (HHS)

would propose regulations to close this loophole, with the goal of finalizing and implementing them in 2015.

For a review of your organization’s health plan or to discuss your coverage options for 2015 renewals, please contact us. ■



The Importance of Housekeeping

The U.S. Department of Labor reports that slips, trips and falls make up the majority of general industry accidents. They account for 25 percent of all reported claims per year. More than 17 percent of all disabling occupational injuries result from falls. A good housekeeping program can help prevent many of these incidents.

The U.S. Centers for Disease Control reports that the number one cause of slip, trip and fall (STF) injuries is “contaminants on the floor.” In layman’s terms, that simply means floors that are wet or dirty. Keeping floors clean and hazard-free requires a good housekeeping program. Here are some basic steps to start yours.

Put it in writing.

A written housekeeping program can help ensure the quality and consistency of housekeeping procedures. Provide a copy to all employees, and they should know where to find additional copies.

The program should describe:

- ✱ How to immediately contact the housekeeping department (if you have one)
- ✱ Where and how cleaning materials and products are stored
- ✱ When to use wet floor signs and barriers and where signs are stored
- ✱ When specific areas of the facility should be cleaned
- ✱ What cleaning methods are appropriate for different areas and surfaces.

Keep floors clean and dry.

- ✱ Encourage workers to cover, clean or report spills promptly.
- ✱ Give employees easy access to products to clean, cover and highlight a spill. Place

spill pads, paper towel holders and pop-up tent wet floor signs in convenient locations throughout the facility.

- ✱ If you have housekeeping staff available during business hours, provide them with



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papers and post the number in various places.

- ✱ Place water-absorbent walk-off mats where water, ice or soap may drip onto the floor. This includes near entrances, sinks and water fountains.

Use the right kind of mats.

Mats should:

- ✱ Have beveled edges and a slip-resistant backing.
- ✱ Be large enough so people will take several footsteps over the mat. If there is water around or beyond the mat, it means the mat is not large enough and/or is saturated and needs to be replaced.
- ✱ Not move when on the floor. If needed, secure mats to prevent them from moving.
- ✱ Be replaced in the proper position. If needed, use tape or other markings to show employees where mats belong.

Use proper cleaning procedures for floors.

Research has shown that a two-step mopping process is better than damp-mopping. In the two-step process, 1) cleaning solution is applied on a section of the floor with a dripping mop, and 2) after a few minutes, the cleaning solution is removed with a wrung mop, before the solution dries.

Make sure the cleaning product can be used on common floor contaminants. You'll

also want to make sure cleaning products are mixed according to manufacturer's directions. Certain cleaning products, such as ammonia and bleach, can cause toxic fumes if combined.

Although a cleaning program might not seem as exciting or important as other injury prevention programs, it can make the difference between a slip, trip or fall accident...or a safe workplace. For more information on preventing injuries, please contact us. ■



The Benefits of Structured Settlements

Once a worker suffers an occupational injury while working for you, he or she becomes your responsibility for life. If the injury recurs or flares up, the employer remains responsible for providing the necessary medical treatment. This holds true even years after a relatively minor accident.

Some workers' compensation claims remain open for years, or even decades. Using a structured settlement can help both your organization and the injured employee move forward.

Under a structured settlement, proceeds of the court settlement go to the plaintiff in the form of periodic payments, including scheduled lump sum payments. Payments can last for a year, for the claimant's lifetime, or somewhere in between.

When an organization and employee agree to a structured settlement, they will generally use a structured settlement broker. An experienced broker can help you negotiate the terms of the agreement and arrange funding. Structured set-

tlements generally are funded by a single-premium annuity contract held by the employer.

Structured settlements offer the following advantages:

- * They release employers from future obligations. Both the employer and employee can move on.
- * They provide a continuing stream of income to injury victims. This minimizes the risk that injured workers will spend away their claims proceeds and run out of money.
- * They can provide injured workers a tax-free source of income.
- * They typically prohibit the claimant from assigning or transferring his/her rights to receive future payments. This helps prevent fraud, embezzlement and running out of funds.

For more information on using structured settlements, please contact us. ■

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