MARSH & McLENNAN AGENCY

January 2019

BENEFITS NEWS AND VIEWS

IN THIS ISSUE

HEALTH CARE MOST PRESSING ISSUE IN U.S., WORKERS SAY

WHAT IS top of mind for your employees? Most likely it's health care.

A new study by the Employee Benefits Research Institute and market research firm Greenwald & Associates found that workers rank health care as the most important issue facing the country.

The survey found that 26% of workers ranked health care as the most pressing issue in the nation, followed by immigration at 18%, the role of government (16%) and jobs (13%).

The findings should give employers pause before they consider tinkering with benefits and shifting more costs to workers, particularly since they are concerned about being able to get the treatment they need.

Despite the above findings, many workers are happy with the quality of the health care they receive under their health plans.

Skimping on care to save money, and more

- 45% of workers said they had delayed going to the doctor for symptoms that arise.
- 50% said they only went to the doctor for more serious conditions or symptoms.
- 20% of workers surveyed were extremely or very satisfied with the cost of their health insurance plan, as well as the costs of health care services not covered by insurance.
- 48% reported experiencing a rise in health care costs over the past year, (that's less on average than what was found in previous surveys).
- 63% said higher costs had prompted them to exercise more and eat healthier foods.
- 51% said higher costs had prompted them to choose generic drugs more often.

Eighty percent of workers said they were extremely, very or somewhat satisfied with the quality of the medical care they receive.

Also, half of workers said they were extremely or very satisfied with their health plan, and 33% were somewhat satisfied.

THE TAKEAWAY FOR EMPLOYERS

What you can take away from this survey is that in order to retain and keep talent, you need to ensure you have a solid health plan that doesn't saddle your workers with too much of the cost burden. You should work with us to find the most cost-effective plans with good networks for your employees.

As the job market remains hot, it's imperative that you don't go with the same plan year after year. There are options to consider that can provide your workers with better care and less expensive services, such as telemedicine and health clinics.

What's on workers' minds

- 74% of workers cited health insurance as one of the top three most important benefits in a job.
- 52% of workers cited a retirement savings plan as one of the top three most important benefits in a job.
- 47% of workers said they were extremely or very confident about their ability to get the health treatments they need today.

STATES GO ON OFFENSIVE AGAINST PHARMACY BENEFIT MANAGERS

AS THE backlash against some pharmacy benefit managers (PBMs) continues to grow, some states are questioning whether the organizations yield the savings they tout.

If they are successful, there could be a shake-up looming for how drugs are priced for health plans, and how insurers and covered individuals pay for them.

PBMs make their money by contracting with health plans to reduce drug prices, and they then negotiate discounts with drug makers. But the biggest complaint about some PBMs is that they jealously guard how much they pay for the drugs, since that's their profit motive. Consider:

- West Virginia in 2017 stopped using PBMs altogether.
- Kentucky is analyzing its expenses in its own PBM contracts, and a bill may be in the offing that would require PBMs that contract with Medicaid to report their costs to the state, and require them to pay pharmacies a fair price.

Most recent is the action in Ohio. In August 2018, the state's Department of Medicaid cancelled the contracts it had with two PBMs, accusing them of gross overpricing.

Ohio's five managed care plans were ordered to terminate the contracts immediately with Optum and CVS Caremark and start working on new ones. The plans had until Jan. 1 to move to a more transparent pass-through pricing model with the two PBMs.

The agency also released a report saying that the two PBMs charged nearly 9% more than they paid pharmacies to fill prescriptions, which helped them make more than $224 million under the arrangement. One of the biggest complaints by the department was that the plans were not transparent.

And sometimes the PBMs actually charge more than the wholesale price for drugs, the report stated.

According to the report that Ohio released, it was paying one of the PBMs $273.50 per unit for the generic version of Gleevec, which is used to treat various cancers. But according to pharmacies, the wholesale price of Gleevec was just $83.69 per dose.

Ohio was unable to release the full report and has been sued by CVS, which is seeking an injunction to stop its release. Later, the second PBM, Optum, joined the suit.

CVS for its part says that the company saved the state about $145 million by using its services.

TRANSPARENCY PRESSURE INCREASES

These latest developments are adding to pressure on PBMs to start being more transparent in how much they pay for the drugs.

It's still uncertain how the court case in Ohio will shake out, but one thing is clear: Ohio's Department of Medicaid is now looking to contract with other PBMs that are more transparent in their pricing and cost structures.

There are smaller PBMs in the market that approach their work in a more transparent manner for the payers.

ADMINISTRATION PROPOSES RULES FOR MULTIPLE EMPLOYER PLANS

THE TRUMP administration has proposed new regulations that would make it easier for small businesses to band together to offer retirement plans to their employees.

With 401(k) plans out of reach for many small firms, the Department of Labor's proposed rules would allow businesses to form multiple employer plans even if the firms do not have an affiliation like belonging to the same ownership or membership in a trade group – the kind of arrangements allowed under current law.

The new regulations would allow multiple employer plans (MEPs) to be formed by groups of employers in a city, county, state or a multistate metropolitan area, or in a particular industry nationwide.

The proposed rule would also allow sole proprietors and their families to set up MEPs for themselves. Additionally, professional employer organizations, which are human resources companies that contractually assume certain employment responsibilities for client employers, could also sponsor plans.

The proposal is part of an effort by the administration to help close a retirement plan coverage gap that affects millions of employees.

The move follows an executive order that President Trump issued in July 2018, ordering the DOL and the Department of Treasury to remove some of the barriers keeping small businesses from providing workers access to retirement plans.

The proposed regulations would seek to address a significant gap in the 401(k) landscape since about 90% of employees at large companies have access to retirement plans, while less than half of workers at smaller firms do.

"Many small businesses would like to offer retirement benefits to their employees, but are discouraged by the cost and complexity of running their own plans," Alexander Acosta, Secretary of Labor, said in a prepared statement. The proposal would give these employers "a simple and less burdensome way to offer valuable retirement benefits to their employees," he added.

Small employers that participate in a MEP can benefit by having lower fund fees, as well as lower administrative costs. And fiduciary responsibility can be transferred to the MEP sponsor, so that individual companies cannot be put on the hook for ERISA compliance.

There could be more rule-making on the horizon for MEPs. Insurers have been lobbying regulators and Congress to modify existing MEP requirements.

'ONE BAD APPLE RULE'

One of those requirements is the so-called "one bad apple rule." Some of the MEP requirements, such as nondiscrimination rules, are applied on an employer-by-employer basis rather than a plan basis. This means that just one non-compliant employer can jeopardize the tax status of the entire plan, putting all employers at risk.

Although not included in the DOL's proposal, the Treasury Department says the IRS intends to issue a notice of proposed rule-making to address the bad apple rule. There is also legislation in Congress that would help provide employers relief from the rule so that all employers in a MEP won't be penalized when one employer violates the qualification rules.

MARSH & McLENNAN AGENCY

DEADLINE EXTENDED TO PROVIDE AFFORDABLE CARE ACT TAX FORMS TO YOUR EMPLOYEES

THE INTERNAL Revenue Service is presenting employers with a gift by extending the period during which they are required to furnish essential Affordable Care Act-related forms to their employees.

Applicable large employers (ALEs) to whom the ACA employer mandate applies will now have until March 4, 2019 to furnish their employees with Forms 1095-B and 1095-C for 2018. The old deadline was Jan. 31, 2019.

Also, the IRS is extending relief from penalties to employers who file or furnish incorrect or incomplete statements if they can show they made a good-faith effort to comply.

ALEs with 50 or more full-time and full-time-equivalent employees are required under the ACA to file and furnish certain forms every year. The forms relate to the health coverage, if any, that the employer offers to its full-time employees.

Entities are required to report information to the IRS, as well as furnish statements containing similar information to individuals.

Forms 1095-B and 1095-C are sent to employees who receive employer-sponsored health insurance.

IRS regulations generally allow for 30-day extensions on an individual employer basis. However, in light of the current guidance, no additional extensions will be provided for the 2018 reporting year.

DEADLINES FOR REPORTING UNCHANGED

Deadlines for reporting to the IRS using Forms 1094-B, 1095-B, 1094-C and 1095-C remain the same and reporting must be done by Feb. 28, 2019 if using paper, or by April 1, 2019 if reporting electronically.

For more information about Employee Benefits and other solutions from Marsh & McLennan Agency, visit marshmclennanagency.com, or contact your local representative.

JOHN CICCHELLI
Executive Vice President of Sales
Employee Health & Benefits:
Northeast
+1 866 381 8947
JCicchelli@mma-ne.com
www.mma-ne.com

This document is not intended to be taken as advice regarding individual situations and should not be relied upon as such. Marsh & McLennan Agency LLC shall have no obligation to update this publication and shall have no liability to you or any other party arising out of this publication or any matter contained herein. Any statements concerning actuarial, tax, accounting, or legal matters are based solely on our experience as consultants and are not to be relied upon for actuarial, accounting, tax, or legal advice, for which you should consult your own professional advisors. Any modeling analytics or projections are subject to inherent uncertainty and the analysis could be materially effective if any underlying assumptions, conditions, information or factors are inaccurate or incomplete or should change.

Copyright © 2019 Marsh & McLennan Agency LLC. All rights reserved.