OPEN ENROLLMENT READINESS BENCHMARK

APRIL 2018

Sponsored by:

With employers lagging on compliance, advisers need to highlight the risks

Substantial IRS penalties and excessive benefits costs make this a high-stakes mission for clients large and small.

Regulatory compliance is an increasingly vital consideration for benefit advisers and their employer clients, and a key element of any successful open enrollment, due in no small part to the Affordable Care Act.

For employers, the risk of noncompliance is considerable with the IRS assessing penalties on the order of hundreds of dollars per employee per incident. Since verifying who should and should not be receiving benefits is central to any compliance effort, failing to identify which employees are no longer eligible for coverage can also lead to inflated benefits costs.

"Every adviser needs to have a discussion with their clients about their responsibilities as an employer," says Jack Kwicien, a managing partner at Daymark Advisors, a Baltimore-based consultancy that works with advisers.

The new Open Enrollment Readiness Benchmark index indicates these discussions are overdue. Employers with first-quarter benefit start dates gave themselves the barrel-scraping score of 22 out of 100 with respect to reviewing compliance and eligibility issues. That compared with a not-quite-as-low aggregate score of 28 for all five open enrollment preparation tasks, and a composite score of 37 for overall enrollment readiness.

For advisers seeking to ensure that their clients remain compliant during their upcoming enrollment periods, "The best place to start is to get accurate employer census data," Kwicien says, accounting for all full-time employees deemed eligible for benefits.

Part of the process involves ensuring that newly ineligible employees are culled from the census. This group may include employee dependents who — because they have crossed an age threshold or started a new job, for example — no longer qualify for benefits under the ACA's guidelines. Newly added dependents who do qualify for benefits, such as a newborn, should also be accounted for. The census process often results in savings for an employer because ineligible individuals are uncovered and can be dropped from the rolls 85% to 90% of the time, Kwicien says.

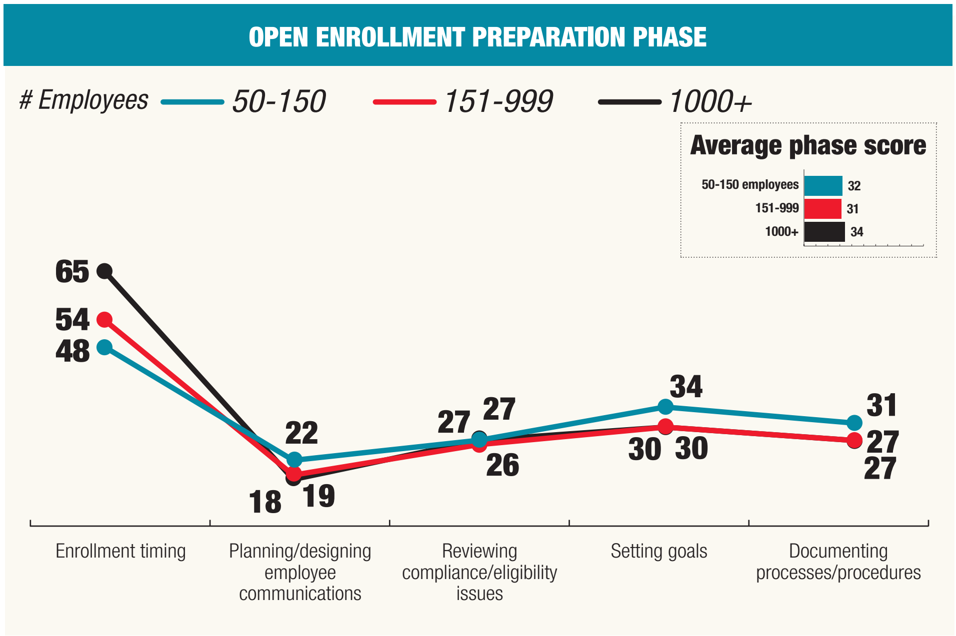
Once the eligibility assessment is completed, advisers need to create an audit trail. "In the event of an audit," Kwicien says, an adviser "needs to be able to demonstrate to the Labor Department and the IRS that the client conducted an accurate census and that all eligible employees were, in fact, offered minimal essential coverage as defined by the ACA."

If an employee is offered coverage but declines, he adds, that needs to be documented as well. All records of whom coverage was offered to, whether it was accepted and, if not, the reason why it was declined, need to be retained for at least seven years.

"It's amazing how many employers — especially those still operating in a manual environment, and particularly those in industries like warehouse distribution, where annual employee turnover can be greater than 18% — cannot readily track this information," Kwicien says.

Determining how to create and maintain these records is another important part of the process. Since electronic records are generally much easier to update, store and retrieve, Kwicien urges advisers to encourage even their smallest clients to migrate to a digital benefits enrollment platform that will automatically track eligibility and benefits selections, establishing an audit trail in the process.

"It may not be right for every employer," Kwicien acknowledges. "Some are still paper-based for specific business reasons, such as having to work with paper invoices and other records with their own clients." But when it comes to demonstrating compliance, "It sure makes life easier when all the records are documented electronically," he adds. "If and when the IRS shows up for an audit, the employer won't want to go chasing down old records in some warehouse. He'll want to have them at his fingertips, a couple of clicks away." ■



Note: Scores are based on the progress employers with benefit start dates in the first quarter say they have made in each activity. Responses range from no progress, which equates to a score of 0, to completed, which equates to a score of 100.

OPEN ENROLLMENT READINESS BENCHMARK

APRIL 2018

Sponsored by:

Small employers are facing big compliance challenges

But by helping these clients automate their reporting, advisers can ease the burden dramatically.

Compared with their larger brethren, small employers are more likely to still rely on paper-based benefits records and much less likely to have an accurate census of their workforce. When it comes to fulfilling their statutory obligations under the ACA and other federal and state laws, that can be very problematic.

There are some industries, notes adviser consultant Jack Kwicien, where annual employee turnover can approach 40%. For small companies without an HR department, tracking all these changes usually falls to an office administrator, the CFO or business owner. If they are using a manual process, keeping track of which employees are onboard in a given week, who was eligible for and was offered benefits, and who declined, typically becomes an onerous task.

"Let's say an employer is in the retail or hospitality sector," Kwicien says. "That employer would have a lot of full-time employees who would clearly be eligible for benefits." But in all likelihood, the employer would also have a sizeable group of part-time employees, who — if they're working less than 30 hours a week — are not benefits eligible.

"The employer's census not only has to account for the total number of employees," Kwicien adds, "but also what category they fall into. Especially in industries with high employee turnover, that's obviously much easier to keep track of with an automated benefits administration system."

Digital benefits platforms automate the process of onboarding employees, provisioning their benefits and keeping track of all their benefits decisions. In addition, they provide web-based portals employees can use to make their benefits selections during open enrollment and update their personal data, if necessary, throughout the year. Systems automatically record employees' decisions, along with any status changes, making the collection of accurate data and an audit trail automatic.

Small business owners frequently resist the idea of digital solutions out of reluctance to change or concerns that they can't afford the technology. But Kwicien argues that they typically underestimate its advantages, and that it's up to their advisers to make the case for going digital.

When offering guidance to smaller clients, "Advisers need to keep in mind the environment that they operate in and make their recommendations accordingly," Kwicien says. As for the expense, he notes that "avoiding just one IRS penalty can cover the cost for an entire year." ■

ASK THE ADVISOR

What are the best group health plans for smaller employers?

There are two good options, says benefits expert Jack Kwicien: Collective self-funding and HDHPs.

Jack Kwicien
Daymark Advisors

As part of the Open Enrollment Readiness Benchmark survey, employers are asked each month to submit questions they'd like answered by a qualified benefits adviser. Jack Kwicien of Daymark Advisors answers this month's featured question.

For a small entity that wishes to offer a generous group health plan to its employees at minimal cost, what plan design would you recommend?

There are two options an adviser should present to a small employer as possible solutions.

The first is offering a high-deductible health plan in tandem with a healthcare savings account. But this approach needs to be accompanied by a well-crafted, well-thought-out communications campaign that explains to the employees how this will work, including what's in it for them and how, if collectively the employer and the employees can better control costs, that it will benefit everybody. Otherwise, employees may simply see this as another attempt by the employer to shift more of the healthcare cost burden onto them.

The second option is to self-fund and join an insurance co-op or association, where small employers can join together, usually by industry or trade group, and collectively get the buying power of 2,000 employee lives instead of 20. This approach gives them much better control over their cost structure and benefits utilization. Ultimately, that can benefit both the employer and the employees.

Advisers need to educate themselves about both approaches. Many aren't really up to speed with how a high-deductible program and an HSA could work for an employer, and even fewer are knowledgeable about the collectives and cooperative plans being created right now because it's a relatively new phenomenon in the marketplace. ■

OPEN ENROLLMENT READINESS BENCHMARK

APRIL 2018

Sponsored by:

EMPLOYERS STARTING BENEFITS IN Q1 2019

Overall Readiness (as of March 2018): 37

PHASE	ACTIVITY	ACTIVITY SCORE	PROGRESS	PHASE SCORE
Phase 1 **Benefit Plan Design**	Selecting benefit brokers/advisers	72		58
	Selecting health plans	55		
	Selecting voluntary plans	51		
	Selecting pharmacy plans	52		
	Selecting retirement plans	71		
	Selecting wellness plans	46		
Phase 2 **Open Enrollment Preparation**	Enrollment timing	55		28
	Planning/designing employee communications	15		
	Reviewing compliance/eligibility issues	22		
	Setting goals	26		
	Documenting processes/procedures	24		
Phase 3 **Open Enrollment Management**	Managing meetings with advisers/brokers	37		22
	Enrolling employees	16		
	Answering employee questions	19		
	Documenting worker feedback	20		
	Measuring enrollment engagement metrics	19		
	Boosting enrollment engagements	20		
Phase 4 **Open Enrollment Design Analysis & Follow-up**	Reviewing enrollment engagement metrics	39		40
	Reviewing worker feedback	40		
	Soliciting additional feedback	33		
	Reviewing plan design	47		
	Reviewing communications strategy	44		
	Tracking benefit usage	44		
	Reviewing enrollment engagement analytics	36		
	Reviewing/improving the process	41		
	Planning year-round employee engagement	39		

Source: SourceMedia Research, Open Enrollment Readiness Benchmark Survey, March, 2018

OPEN ENROLLMENT READINESS BENCHMARK INDEX

Previous OERB reports explored ways advisers can work with clients to overcome benefit sign-up challenges. To access all OERB reports, go to: https://www.employeebenefitadviser.com/collections/open-enrollment-readiness-benchmark

As employers turn to plan selection, advisers need to play quarterback

One big goal: Helping clients provide a full range of employee benefits.

https://bit.ly/2Jr9RKu

Employers off to slow start with benefit planning

Advisers can play a big role in helping clients create strategies to ensure a successful open enrollment.

https://bit.ly/2pNST1A

How to set a 12-month open enrollment strategy

Advisers should present clients with a schedule of monthly goals to enable them to better prepare for sign-up periods.

http://bit.ly/2t3Y7dx

Why it's critical to do a post-open-enrollment review

Clients need to study what they did well, and not so well, to improve their processes.

http://bit.ly/2CPHUbg

How to better engage employees in enrollment

Focus groups and surveys can determine what employees understand or don't understand about their benefits.

http://bit.ly/2nWPH53

How to help employers explain benefit changes

With plans changing annually, employers need to know how to clearly explain to workers what differs from one year to the next.

http://bit.ly/2F23aki