Employee Benefits Report

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Value-Based Care Gains Favor as a Provider Reimbursement System

Health care experts believe value-based care could lower costs and improve patient outcomes.

The United States spends much more on health care per capita than other wealthy countries — $10,384 versus an average of $5,169, show studies such as the Peterson-Kaiser Health System Tracker. Despite the high spending levels, though, health outcomes in the U.S. are worse than in other wealthy countries. What can be done to lower Amer-

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New Hardship Distribution Rules for Retirement Plans

The Internal Revenue Service (IRS) has made it easier for employees to make withdrawals from their retirement plans during time of hardship. The IRS also made it easier for employees to rebuild their accounts.

Some of these changes affecting 401(k) and 403(b) plans are mandatory, requiring employers to have made the changes by Jan. 1, 2020, while others are optional.

The final rule does the following:

- **No longer requires employees to wait six months after employment before making**

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ica's high rates of medical error, disease and death?

Many health care experts believe value-based care is the answer — and that it can provide better and more affordable care. Other experts have concerns that this alternative to traditional care could be difficult to implement and may be unsustainable.

Value-based care pays health providers based on how much they improve a patient's quality of health management. Quality of care is based on metrics including reducing hospital readmissions; improving preventative care; and using health technology. Value-based models reward providers financially when they deliver better and more cost-effective services and often penalize them financially when they fail.

In comparison, traditional care — also referred to as fee-for-service-care — reimburses providers on the amount of services they provide. For instance, the more tests and procedures a provider orders, the more money they earn. The emphasis appears to be about quantity of care.

Supporters of the value-based model claim this approach offer better outcomes for patients because it focuses on quality preventative care, rather than expensive and sometimes unnecessary tests.

Another reason for the growth and interest in value-based care is the growth of technology in the health field. Digital health solutions such as telehealth and artificial intelligence wearables assist in monitoring outcomes.

The Centers for Medicare & Medicaid Services (CMS) have been actively pushing for value-based care and have introduced several value-based care models over the past 10 years.

For instance, the Hospital Readmissions Reduction Program allows CMS to evaluate participating hospitals based on immunization rates for certain diseases; Medicare spending per beneficiary; and patient feedback. Depending on how the hospital scores across these metrics as compared to established baselines, the CMS either rewards the hospital on top of their usual fee-for-service payments or reduces their Medicare revenue.

Types of Value-Based Care

Different types of value-based care models exist based on the required level of provider accountability. Providers are measured on outcomes such as post-hospitalization readmission rates; provider-to-patient ratios; and percentage of patients receiving preventative care such as immunizations.

Common value-based payment models include:

- **Pay for Performance:** Physicians receive financial bonuses by achieving specific quality and cost targets.
- **Bundled Payments:** Providers receive a fixed amount of money to treat a patient either for a specific condition or procedure or within a certain period. The provider can keep the surplus funds if they are able to treat the patient for less.
- **Capitation:** Members pay a fixed premi-

contributions to their employer-sponsored retirement plan.

- **Allows employees to withdraw earnings on 401(k) contributions, and on profit-sharing and stock-bonus contributions in time of hardship. Previously, employees could only withdraw contributions, not earnings. Earnings on 403(b) contributions would remain ineligible for hardship withdrawals.**
- **Makes it easier for plan administrators to determine if a hardship withdrawal is necessary by only requiring that a distribution not exceed what an employee needs. Also, employees must certify that they lack enough cash to meet their financial needs.**

Optional changes that only will be made if adopted by the employer:

- **No longer requires employees to take a plan loan before making a hardship withdrawal.**
- ***The list of allowed hardships for taking* a hardship withdrawal *now* can *include the following* for a participant, their spouse or *children or other dependents:* medical, education and funeral expenses.**

Plans allowing hardship distributions will need to be amended to reflect the new rules. Please contact us for more information.

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um and those premiums are pooled to fund care for the entire group. This model enables providers to spend funds however they think best for their clients.

- **Shared Savings:** Providers are given a budget and when total costs fall below the budget they get a share of the savings.
- **Shared Risk:** Similar to Shared Savings, but providers also are expected to pay for any care costs exceeding the payer-set budget.

Value-Based Care Challenges

The two most important downsides cited by some health care experts are that value-based care has more regulations and that health care providers often face restrictions on the type of care they can give their patients.

Many providers also worry about the start-up costs when investing in the technology and tools necessary to improve and monitor outcomes. For now, switching to value-based care outcomes is more suited to providers who already spend high amounts on health care and/or have a high volume of admissions.

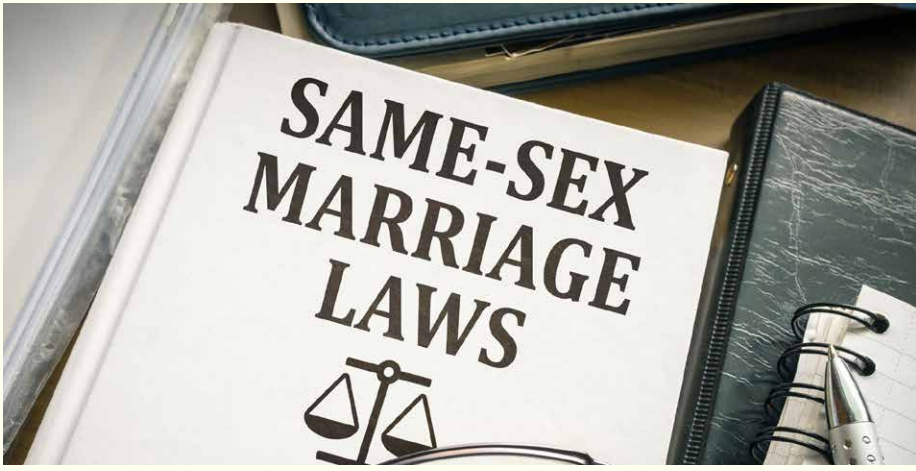
Other financial concerns revolve around bundled payments and shared savings programs. A bundled payment system sets a price for certain types of care. Providers then share in the losses or savings, including any additional costs related to complications and hospital readmissions. Shared savings programs, such as an Accountable Care Organization, encourage doctors, hospitals and other health care providers to come together to provide coordinated, high quality care. However, these programs don't always reimburse providers for related services outside the direct care.

Lastly, value-based care is based on historical benchmarks. When those benchmarks tighten, because of declining health care costs, providers will have to maintain those levels or improve outcomes even more to save money.

Despite these concerns, experts expect value-based care to continue growing over the next five to 10 years. ■

Rules and Exceptions When Providing Benefits to Same Sex Couples

Employers who offer benefits to spouses must also offer them to same-sex couples though there are exceptions.



The U.S. Supreme Court ruled in 2015 that the rights of same-sex couples are protected under the due process and equal protection clauses of the Fourteenth Amendment to the U.S. Constitution. Therefore, employers who offer benefits to employees' spouses also must extend those benefits to those with same-sex spouses.

However, there are some exceptions as to when you must offer benefits to spouses and that's where it can get tricky.

In addition, some employers offer domestic partner benefits to same-sex couples. Many employers are discontinuing domestic partner benefits because they are harder to administer and they have negative tax implications.

Here are some popular benefits and who is eligible for each:

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Health Insurance

The Affordable Care Act (ACA) requires all employers with 50 or more full-time equivalent employees to offer health insurance. However, the law does not require employers — large or small — to offer these benefits to employees' spouses. But if employers do, and the insured employee is forced to leave their job, the employee and a covered spouse can continue health coverage through COBRA, regardless of sexual orientation.

The exception to the law is employers who self-fund their health benefits. Self-funded coverage is not technically considered health insurance. It's an employee benefit and is covered under ERISA (Employee Retirement Income Security Act) laws and regulations. Therefore employers are not required by ACA law to provide coverage for same-sex spouses.

Leave Benefits

The Family and Medical Leave Act (FMLA) requires covered employers to provide eligible employees with unpaid, job-protected leave for up to 12 weeks for qualified medical and family reasons, including personal or family illness, family military leave, pregnancy, adoption, or foster care placement. As of 2015, the Department of Labor designates same-sex spouses as legal spouses. However, FMLA rules do not apply to small employers (those with fewer than 50 employees).

Health Savings Accounts

Employees who have a Health Savings Account, Health Reimbursement Account (combined with a high deductible plan) or Flexible Spending Account can set aside money on a pre-tax basis to pay for qualified medical expenses.

Employees who contribute to these types of savings accounts also can use the benefit to pay for their spouse's medical expenses. Both opposite-sex and same-sex spouses can contribute up to the maximum family contribution.

Retirement Plans

Retirement plans, such as 401(k) plans, must provide survivor annuities when an employee is married or offer the participant's account balance at death to a spouse.

The exception is government or church plans. Neither is required to provide a qualified joint and survivor or qualified pre-retirement survivor annuity, nor must spousal benefits be provided at death. These government and church plans also are not required to provide these benefits to same-sex spouses.

Workers' Compensation

Workers' compensation is accident insurance provided by employers, and most states require employers to carry or self-fund this coverage for their employees. Workers' compensation pays benefits to a same or opposite sex spouse if the employee dies on the job. ■

IRS Sets 2020 Retirement Plan Contribution and Benefit Limits

Nearly all of the dollar limits currently in effect for 2019 will experience minor increases for 2020.

The Internal Revenue Service (IRS) and the Social Security Administration have increased the amount employees can save this year in their employer-sponsored retirement accounts and the amount individuals can save in their IRAs.

The IRS limits contributions to 401(k)s, IRAs and similar retirement savings plans to prevent highly paid workers from receiving more tax benefits than average-paid workers. Contributions to 401(k) accounts and traditional IRAs are made with pretax dollars, which can significantly reduce the worker's income tax burden for the year. The investments in these accounts grow tax-deferred, but withdrawals will be subject to income tax

The 2020 cost of living adjustments are slightly higher than the 2019 dollar limits and apply to 401(k), 403(b) and most 457 plans:

- A 401(k) is considered one of the best ways to save for retirement. This employer-sponsored retirement plan allows employees to contribute a portion of their income to the plan without paying taxes on it. Most companies will match a cer-

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tain amount of the employee's contributions.

- 403(b) accounts are for private-nonprofit employees and government workers, including public school employees. Similar to 401(k) plans, 403(b) plans are a type of defined-contribution plan that allows participants to shelter money on a tax-deferred basis for retirement.
- There are two types of 457 retirement accounts — 457(b) is offered to state and local government employees, while a 457(f) is for highly-paid non-profit employees.

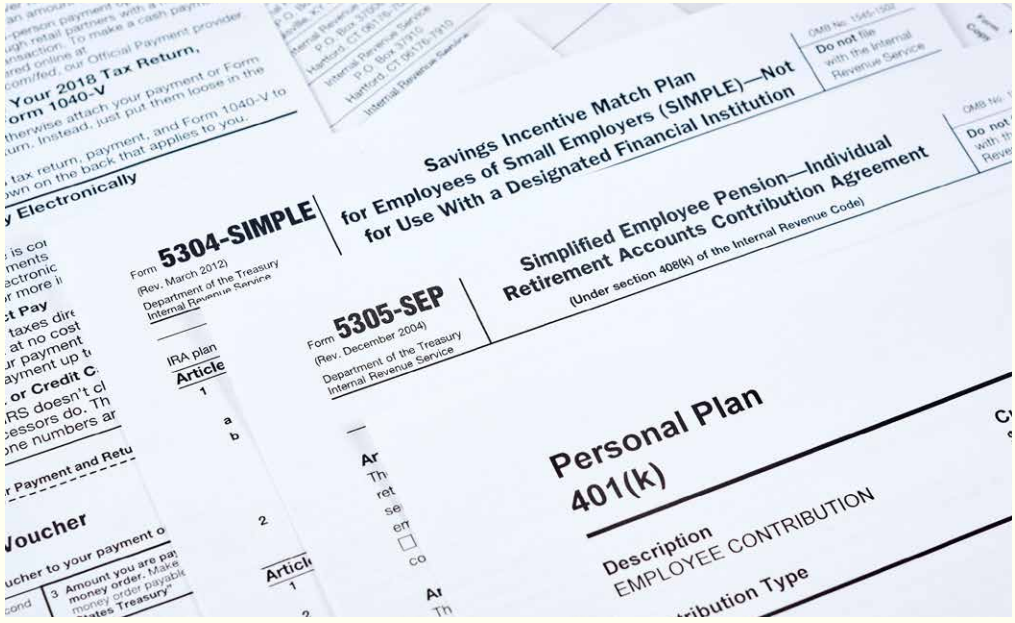
A 457(b) plan's annual contributions and other additions (excluding earnings) to a participant's account cannot exceed the lesser of:

1. 100 percent of the participant's includible compensation, or
2. the elective deferral limit ($19,500 in 2020 and $19,000 in 2019).

Additional increases to the general annual contribution limit may also be permitted (for more information visit the IRS website (https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-457b-contribution-limits:)

Other changes to IRS plans include:

- Catch-up contribution: Employees who are 50 or older can contribute an extra $6,500 – up from $6,000.
- SIMPLE (Savings Incentive Match Plan for Employees) retirement accounts: These accounts allow employees and employers to contribute to traditional IRAs set up for employees. Limits increased from $13,000 to $13,500.
- IRA (Individual Retirement Account): Annual contributions remain the same at $6,000. Also, the additional catch-up contribution limit for individuals aged 50 and older is not subject to an annual cost-of-living adjustment and remains at $1,000.
- Saver's Credit (also known as the Retirement Savings Contributions Credit): This credit allows individuals to reduce their income tax dollar-for-dollar by up to $1,000 ($2,000 for Married Filing Jointly). The income limit for low- and moderate-income workers this year is $65,000 for married couples filing jointly, up from $64,000; $48,750 for heads of household, up from $48,000; and $32,500 for singles and married individuals filing separately, up from $32,000.



If your company sponsors a retirement plan, you should update your payroll and plan administration systems for the 2020 cost-of-living adjustments and incorporate the new limits in communications to employees, such as open enrollment materials and summary plan descriptions. We are pleased to help with plan designs that maximize tax savings and retirement benefits but wish to advise clients and their employees to also consult with a tax advisor. Please contact us for more information. ■.

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Dental Insurance Promotes Overall Health

Providing employees the opportunity to purchase dental insurance is not enough. Employee education is an important element when you offer voluntary benefits.

A 2019 survey by the National Association of Dental Plans shows that approximately 47 percent of adults participate in employer-sponsored dental insurance plans but less than half of insured adults use their dental insurance and only 4.2 percent reach the annual maximum.

The American Dental Association reports that the primary reason people don't go to the dentist is cost. That's followed by fear of the dentist and the inability to find convenient locations or appointment times.

A dental exam can detect the signs of more than 120 diseases. For instance, dentists can detect signs of conditions such as diabetes or AIDS by the presence of mouth lesions or other oral problems. Periodontitis, which can lead to tooth loss, is often linked to health problems such as cardiovascular disease, stroke and bacterial pneumonia. Women who are pregnant and have periodontitis have increased risk of delivering pre-term and/or low-birth-weight infants.

The typical dental plans typically provide 100/80/50 coverage, because they cover:

- 100 percent of the cost for preventive care, such as exams, cleanings and X-rays received during an average dental checkup. Teeth should be cleaned at least twice a year.
- Seventy to 80 percent of procedures like fillings, extractions and periodontal work.
- 50 percent or less of major procedures including crowns, root canals, dentures, bridges, or implants.

To ensure your employees get the most from their dental benefits, emphasize the importance of good oral health — not only during open enrollment — but throughout the year. Remind them they can typically visit the dentist and get a checkup for little to no out-of-pocket cost.

Also, if you have a PPO plan, encourage employees to visit dentists in their plan's network as a way to lower costs. ■