

Employee Wellness Programs and the Tax on High-Cost Health Insurance



County Ideas
that Work

Healthy Counties Initiative Sponsors



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Today's Speakers

Kim Stroud

Division Manager of Employee Benefits
Manatee County, Fla.

Lester Morales

Health Benefits Consultant

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- c. Three
- d. Four
- e. Five or more

Are you a(n)...?

- a. Elected county official
- b. County Administrator/Manager
- c. Human Resources/Benefits Staff
- d. Other

Are you familiar with this excise tax?

- a. Yes
- b. No
- c. Not Sure

Has your county assessed its liability for the excise tax?

- a. Yes
- b. No
- c. Not sure

EMPLOYEE WELLNESS PROGRAMS & THE TAX ON HIGH-COST EMPLOYER- SPONSORED HEALTH INSURANCE COVERAGE

NACo Webinar - June 2015

GOALS OF WEBINAR

- FACTS vs. FICTION REGARDING THE EXCISE TAX
- WELLNESS PROGRAMS...

ARE THEY WORTH IT?

- BEST PRACTICES IN IMPLEMENTING AND EVOLVING YOUR HEALTH MANAGEMENT INITIATIVES
- HAVE FUN

AGENDA

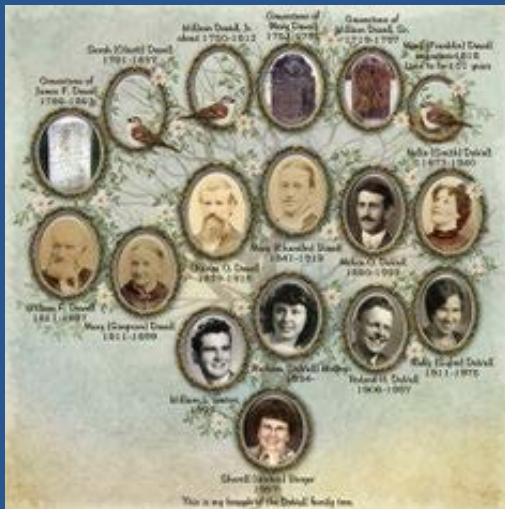
- I. Excise Tax- Level Set
- II. Your wellness program
- III. Case Studies
- IV. Best Practices



SECTION I

**EXCISE TAX ON HIGH-COST
EMPLOYER-SPONSORED HEALTH
INSURANCE COVERAGE: LEVEL SET**

WHERE WERE YOU WHEN...





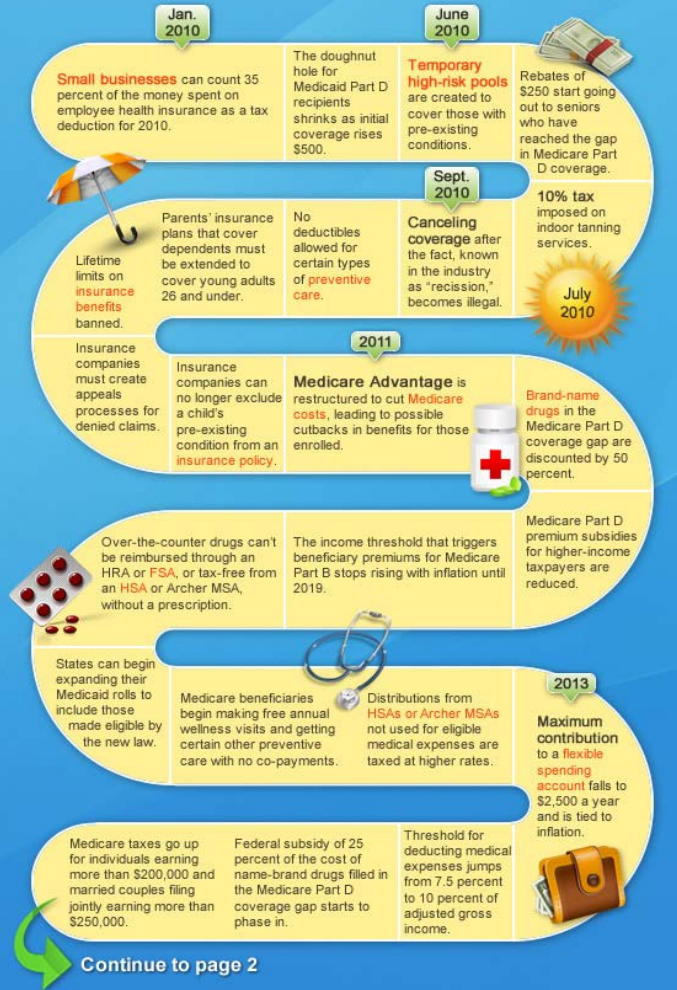
MARCH 23rd, 2010

healthstat[®]
inspiring healthy change

HEALTHCARE REFORM TIMELINE

Health Care Reform Timeline

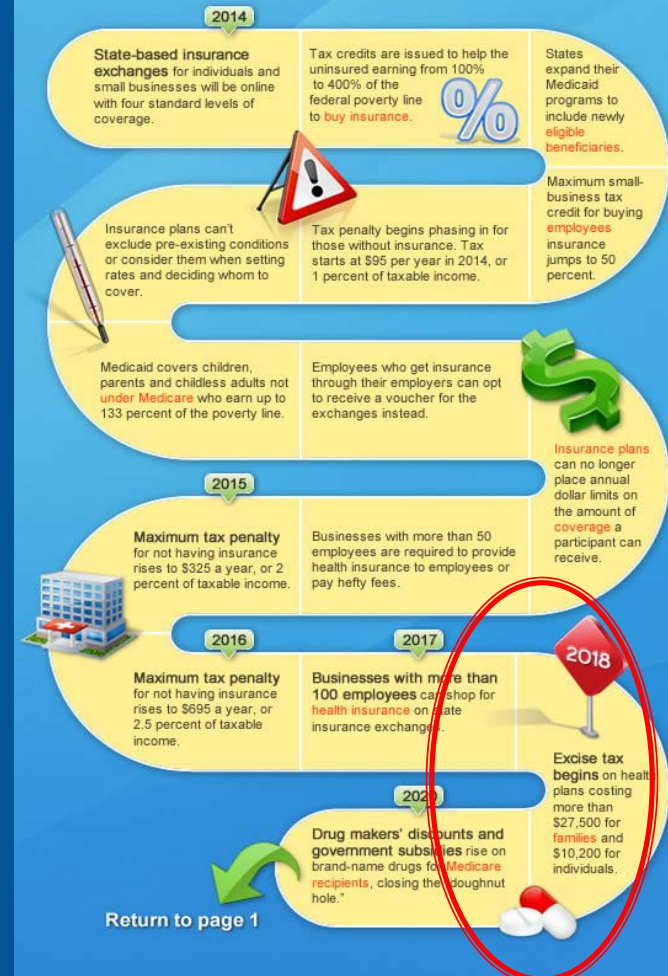
This timeline will help you keep track of when the law's key changes will occur.



Continue to page 2

Health Care Reform Timeline

(Continued)



Return to page 1

WHAT IS THE EXCISE TAX ON HIGH-COST EMPLOYER-SPONSORED HEALTH INSURANCE COVERAGE?

Overview

The Cadillac Tax is an excise tax scheduled to take effect in 2018 to reduce health care usage and costs by encouraging employers to offer plans that are cost-effective and engage employees in sharing in the cost of care. It is a 40% tax on employers that provide high-cost health benefits to their employees.

This fact sheet is based on Cigna's current understanding of the Cadillac Tax. Final regulations have not been issued, and we expect further guidance before the tax is assessed.

	CADILLAC TAX
What it is/fee duration	Permanent annual tax beginning in 2018 on employers that provide high-cost benefits through an employer-sponsored group health plan.
Purpose	<ul style="list-style-type: none">• To generate \$80 billion over the next 10 years to help finance the expansion of health coverage.
Amount	<ul style="list-style-type: none">• The tax is 40% of the cost of plans that exceed predetermined threshold amounts.• Cost includes the total premiums paid by both employers and employees, but not cost-sharing amounts such as deductibles and copays when care is received.• For planning purposes, the thresholds for high-cost plans are \$10,200 for individual coverage, and \$27,500 for family coverage.• These thresholds will be updated for 2018 when final regulations are issued and indexed for inflation in future years.• The thresholds will also be adjusted for:<ul style="list-style-type: none">- High-risk professions such as law enforcement and construction.- Group demographics including age and gender.• For pre-65 retirees and individuals in high-risk professions, the threshold amounts are \$11,850 for individual coverage and \$30,950 for family coverage.
Who calculates and pays	Insured: Employers calculate and insurers pay Self-funded: Employers calculate and pay

WHAT IS THE EXCISE TAX ON HIGH-COST EMPLOYER-SPONSORED HEALTH INSURANCE COVERAGE?

	CADILLAC TAX
How a plan's cost is determined	<p>The tax is based on the total cost of each employee's coverage above the threshold amount.</p> <p>The cost includes premiums paid by employers and employees plus:</p> <ul style="list-style-type: none">• Employer and employee contributions to Health Care Flexible Spending Accounts, Health Reimbursement Accounts and Health Savings Accounts.• The cost of Employee Assistance Plans with counseling benefits, onsite medical clinics and wellness programs.
How the tax will be paid	Forms and instructions for paying the tax are not yet available.
Tax implications	Not tax deductible.
Business affected	Insured and self-funded group health plans.
Business excluded	<ul style="list-style-type: none">• U.S.-issued expatriate plans for most categories of expatriates• Stand-alone dental• Stand-alone vision• Accident coverage• Disability benefits• Long-term care insurance

WHAT IS THE EXCISE TAX ON HIGH-COST EMPLOYER-SPONSORED HEALTH INSURANCE COVERAGE?

How it works: Examples based on current threshold amounts



Self-only coverage

A \$12,000 individual plan would pay an excise tax of \$720 per covered employee:

\$12,000 - \$10,200 = \$1,800 above the \$10,200 threshold

$\$1,800 \times 40\% = \720



Family coverage

A \$32,000 family plan would pay an excise tax of \$1,800 per covered employee:

\$32,000 - \$27,500 = \$4,500 above the \$27,500 threshold

$\$4,500 \times 40\% = \$1,800$

These charts show how the tax increases as the plan's cost increases.

Self-only coverage

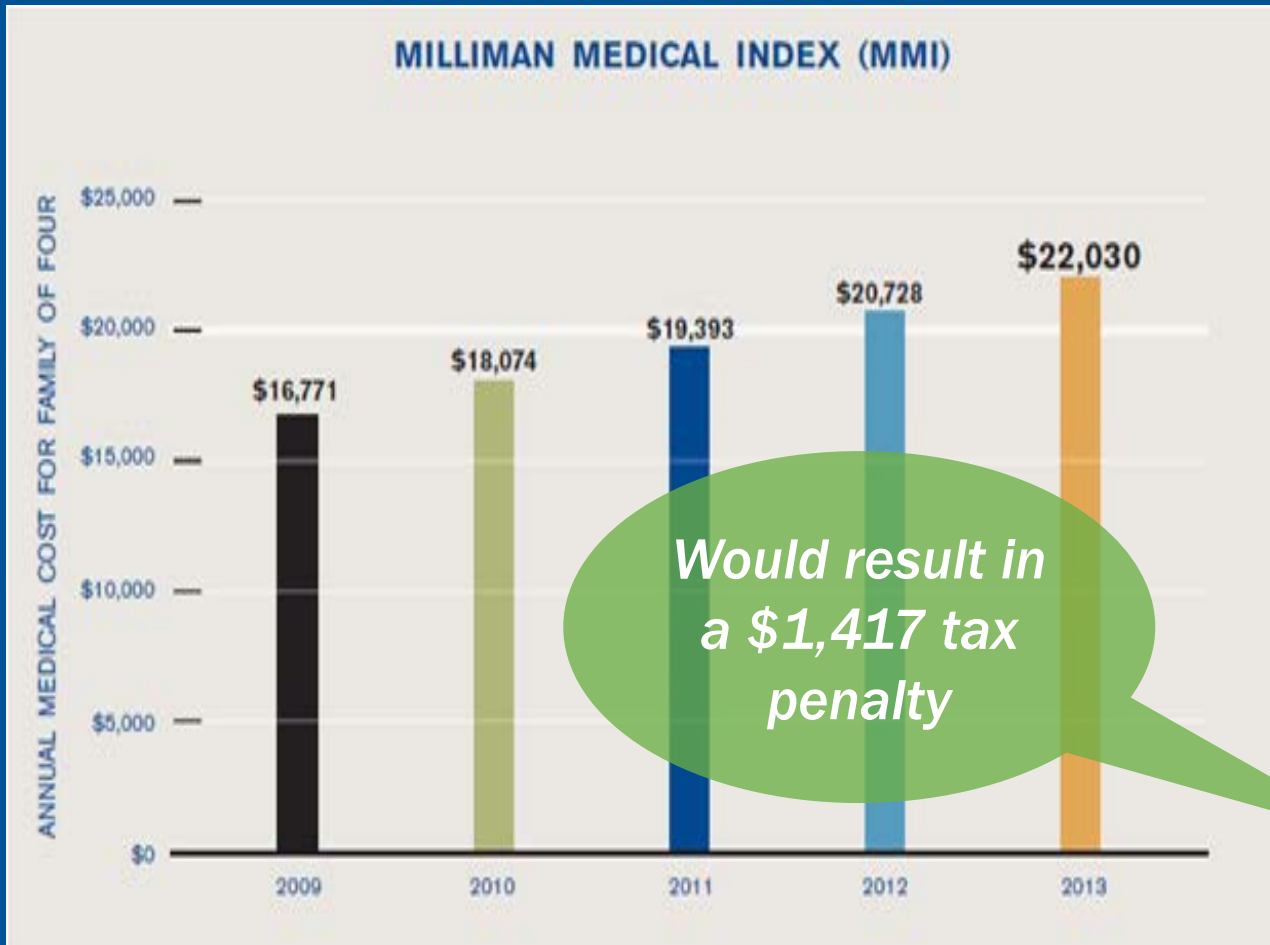
Plan Cost	\$11,000	\$12,000	\$13,000	\$14,000	\$15,000
Tax	\$320	\$720	\$1,120	\$1,520	\$1,920

Family coverage

Plan Cost	\$28,000	\$30,000	\$32,000	\$34,000	\$36,000
Tax	\$200	\$1,000	\$1,800	\$2,600	\$3,400

THE EXCISE TAX ON HIGH-COST EMPLOYER-SPONSORED HEALTH INSURANCE COVERAGE:

Behind the Numbers



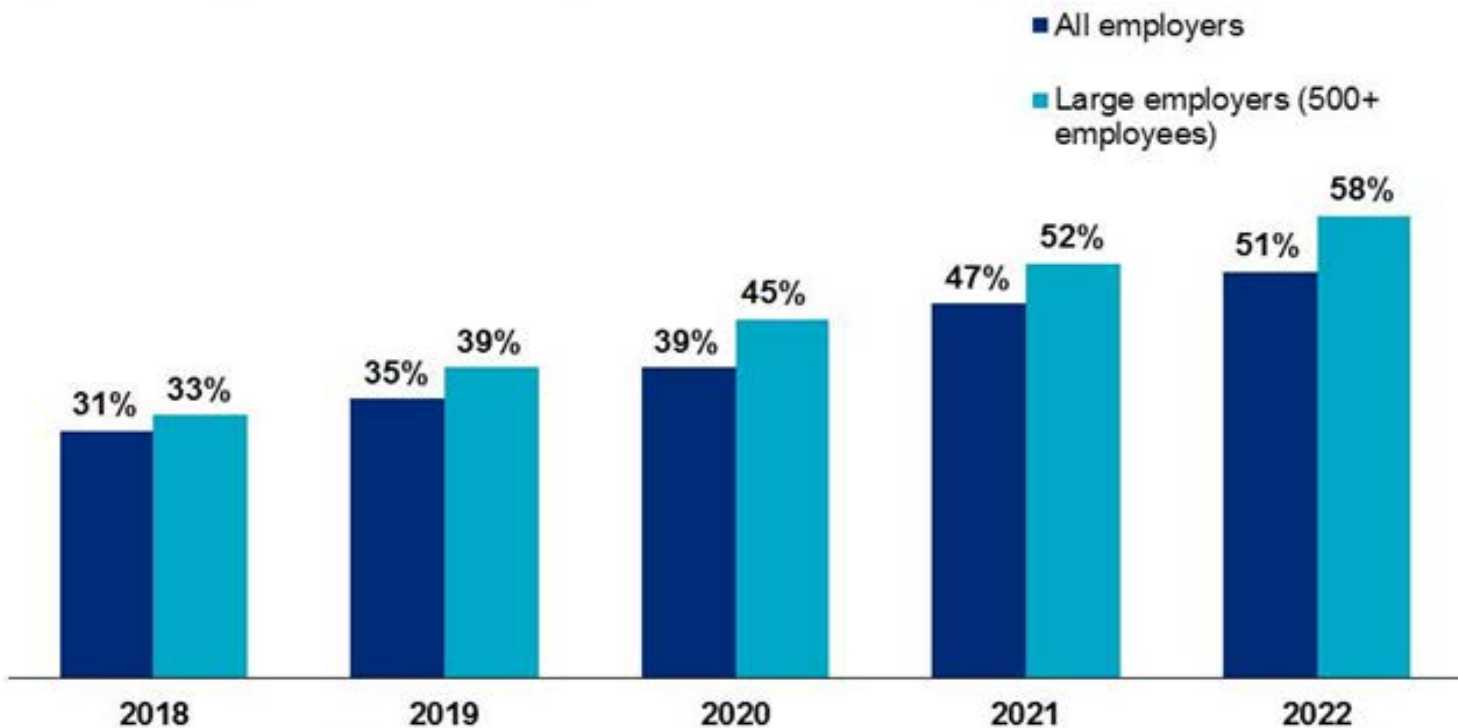
Cost Projection

<u>Year</u>	<u>Family of Four</u>
2013	\$ 22,030
2014	\$ 23,594
2015	\$ 25,269
2016	\$ 27,063
2017	\$ 28,985
2018	\$ 31,043

THE EXCISE TAX ON HIGH-COST EMPLOYER-SPONSORED HEALTH INSURANCE COVERAGE:

Behind the Numbers

About a third of employers at risk of hitting excise tax threshold in 2018
Percentage of employers that will be subject to tax by the specified year if they make no changes to their current plans

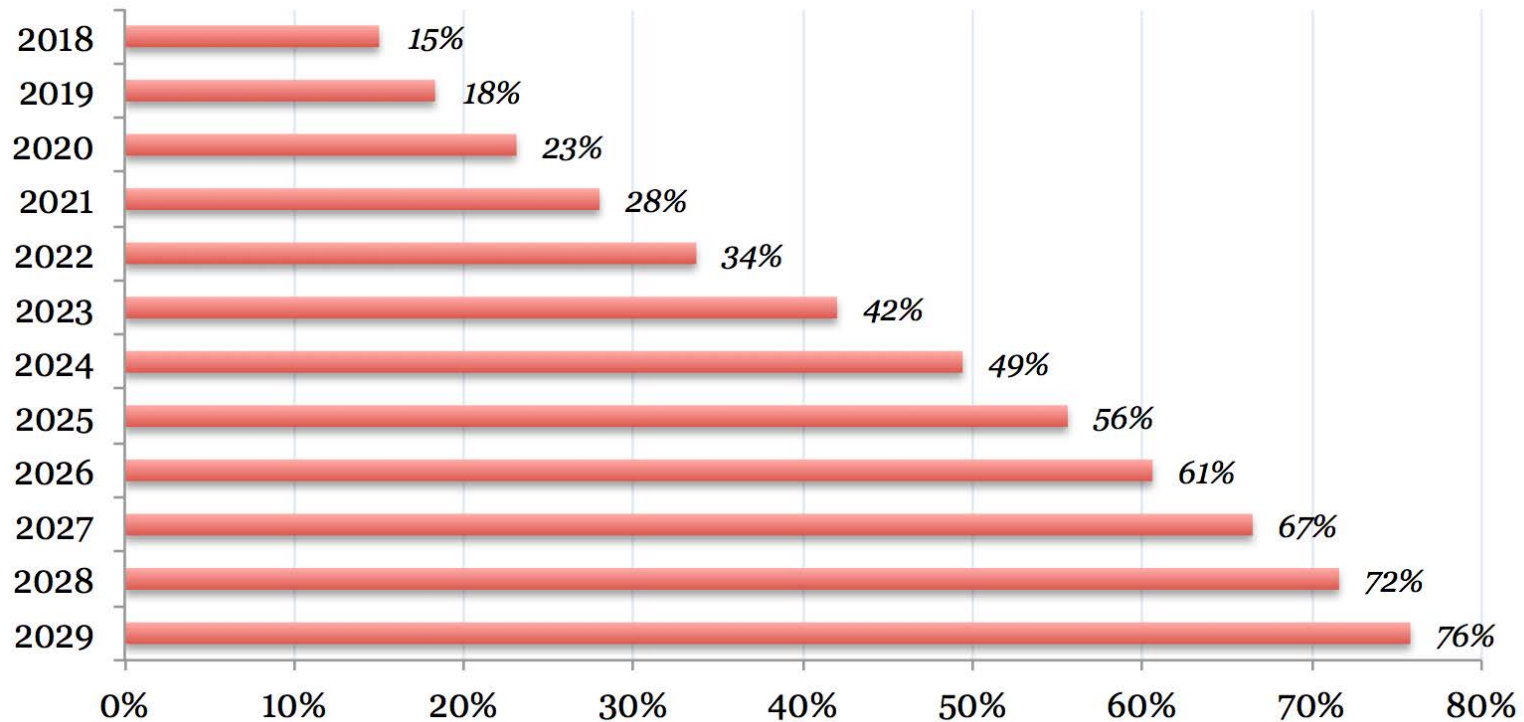


Estimates based on data from Mercer's National Survey of Employer-Sponsored Health Plans 2014; premium trended at 6%, tax threshold trended at 3% for 2019 and 2% for future years

SOURCE: MERCER'S NATIONAL SURVEY OF EMPLOYER-SPONSORED HEALTH PLANS

THE EXCISE TAX ON HIGH-COST EMPLOYER-SPONSORED HEALTH INSURANCE COVERAGE: Behind the Numbers

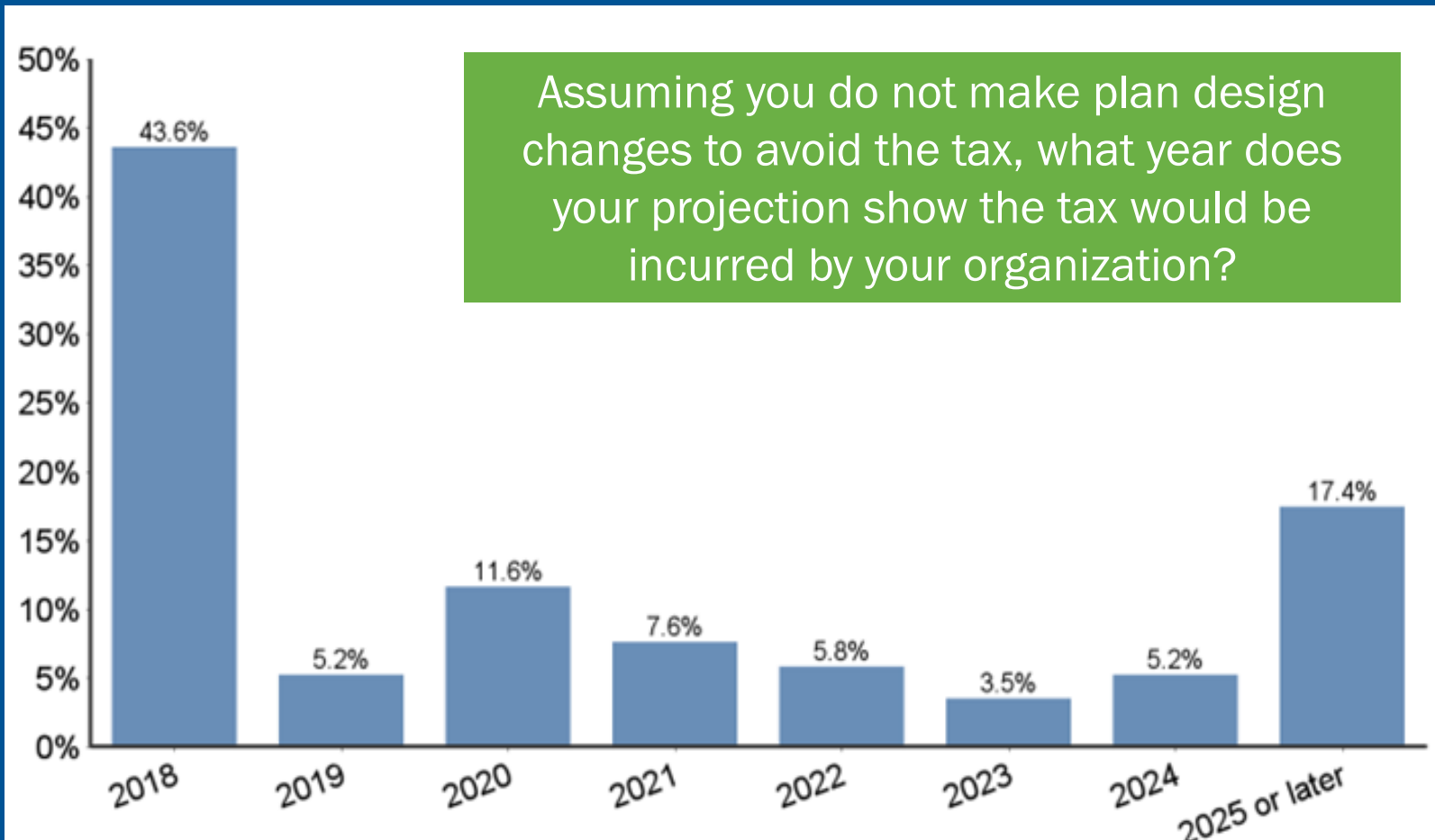
Plans Exceeding ACA 'Cadillac Tax' Threshold



Source-<http://www.forbes.com/sites/theapothecary/2014/02/26/obamacares-cadillac-tax-could-help-reduce-the-cost-of-health-care/>

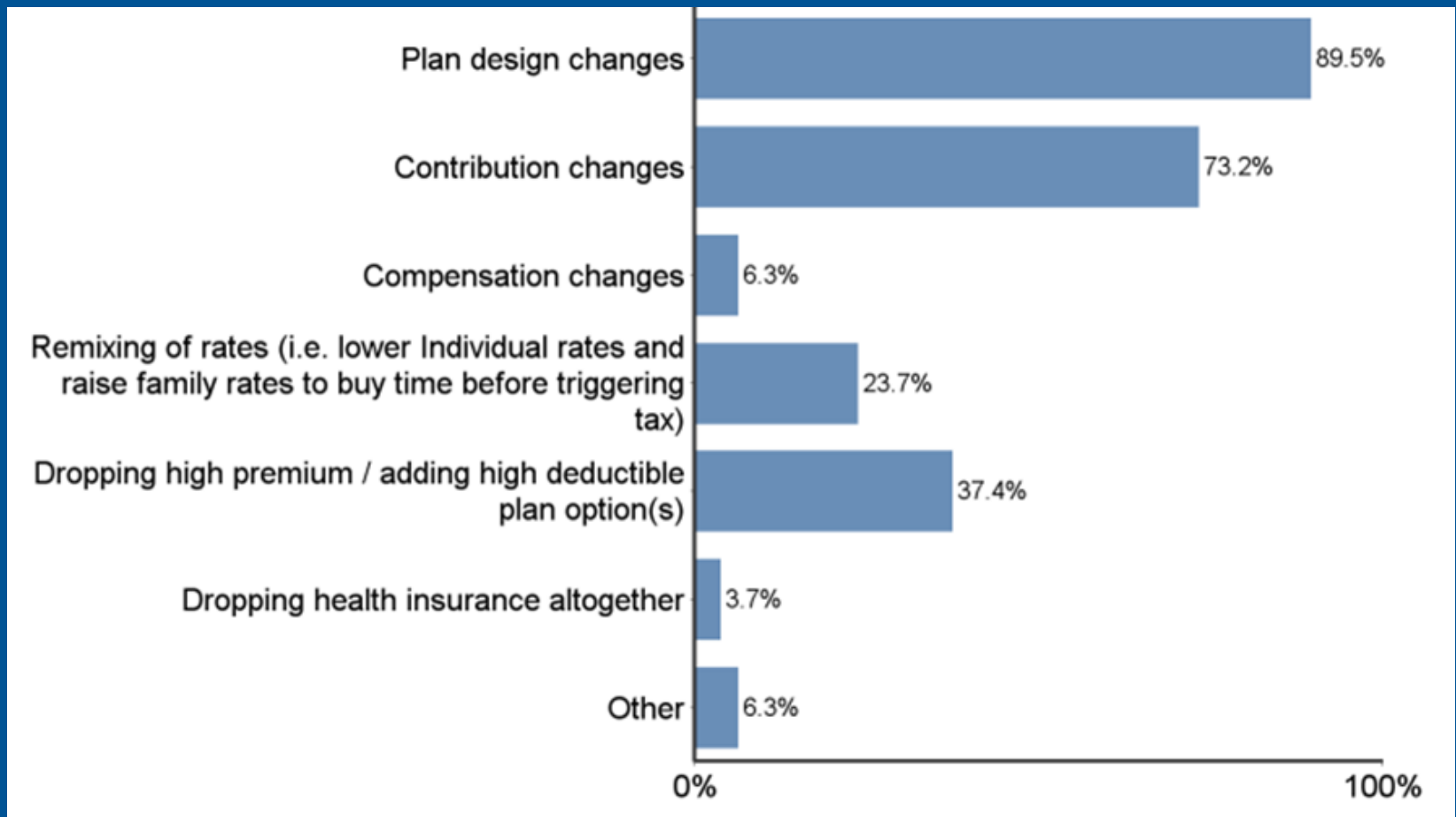
THE EXCISE TAX ON HIGH-COST EMPLOYER-SPONSORED HEALTH INSURANCE COVERAGE:

Behind the Numbers



Source: Preliminary results of the 2015 Willis Benefits Benchmarking Survey

FACTORS TO CONSIDER



CADILLAC EXCISE TAX



OR?



SECTION II

**WELLNESS PROGRAMS:
ARE THEY WORTH IT?**

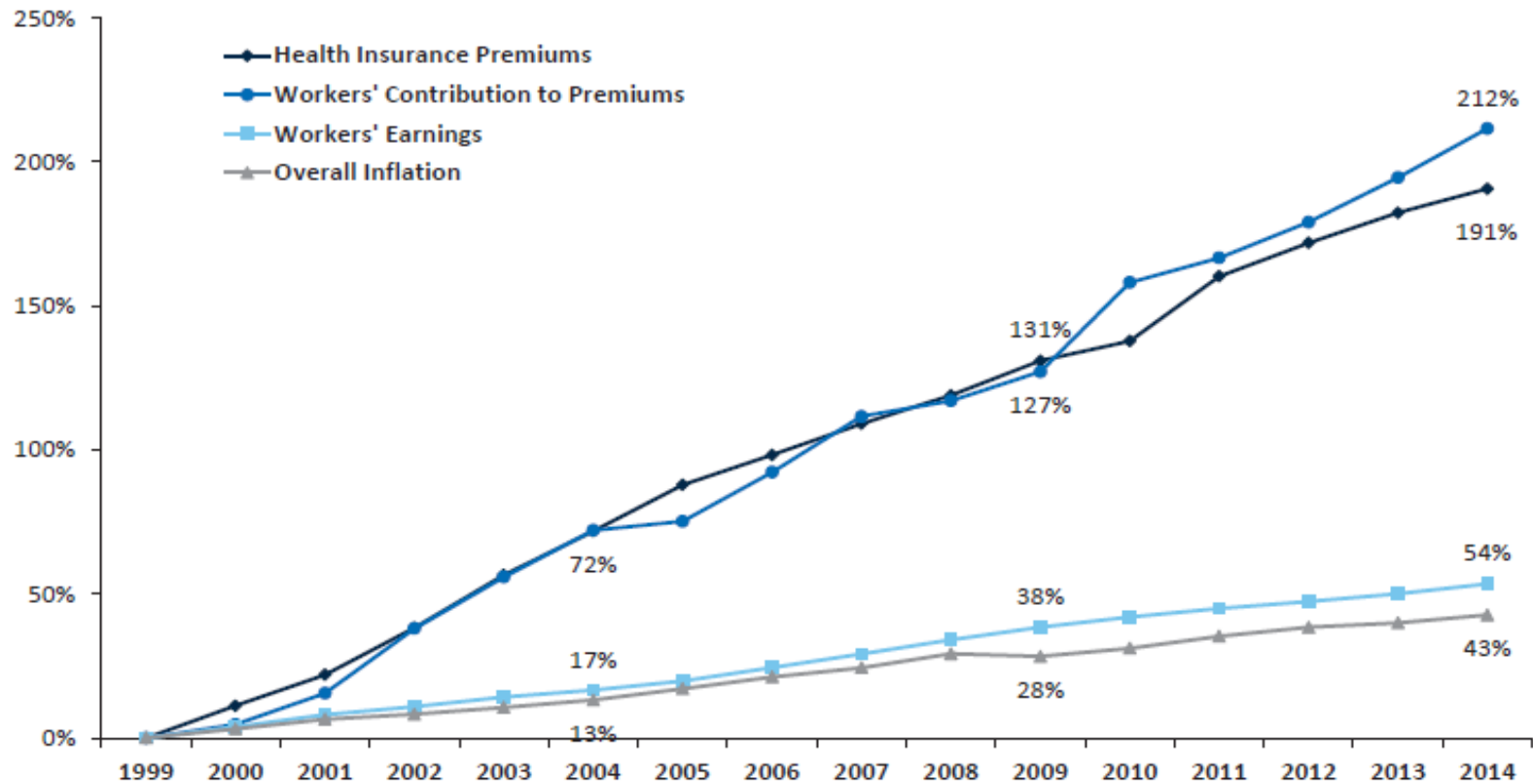
WHY DO WE STUDY HISTORY?

“I believe that the more you know about the past, the better you are prepared for the future.”

~ Theodore Roosevelt



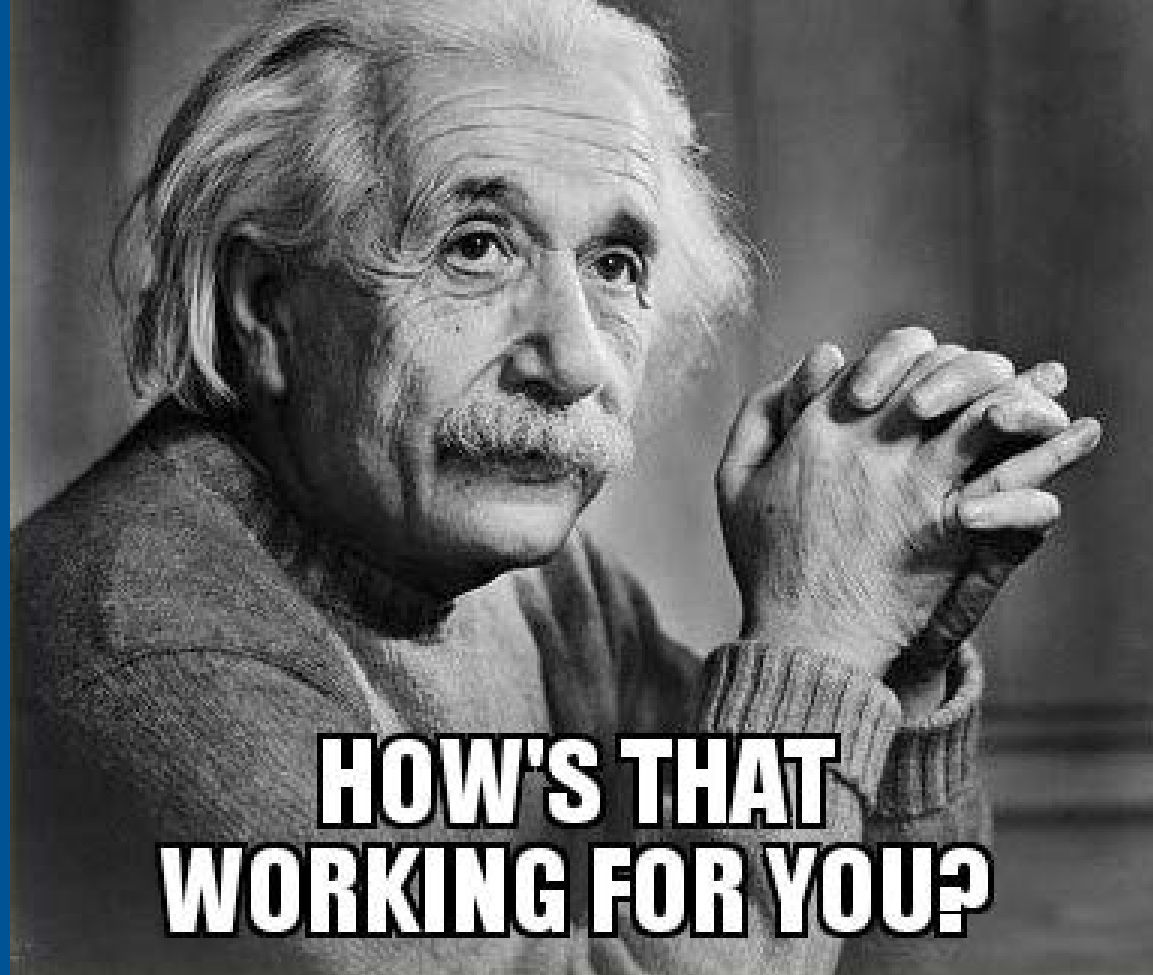
IS IT WORKING TODAY?



SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2014. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999-2014; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2014 (April to April).

ARE WE INSANE?

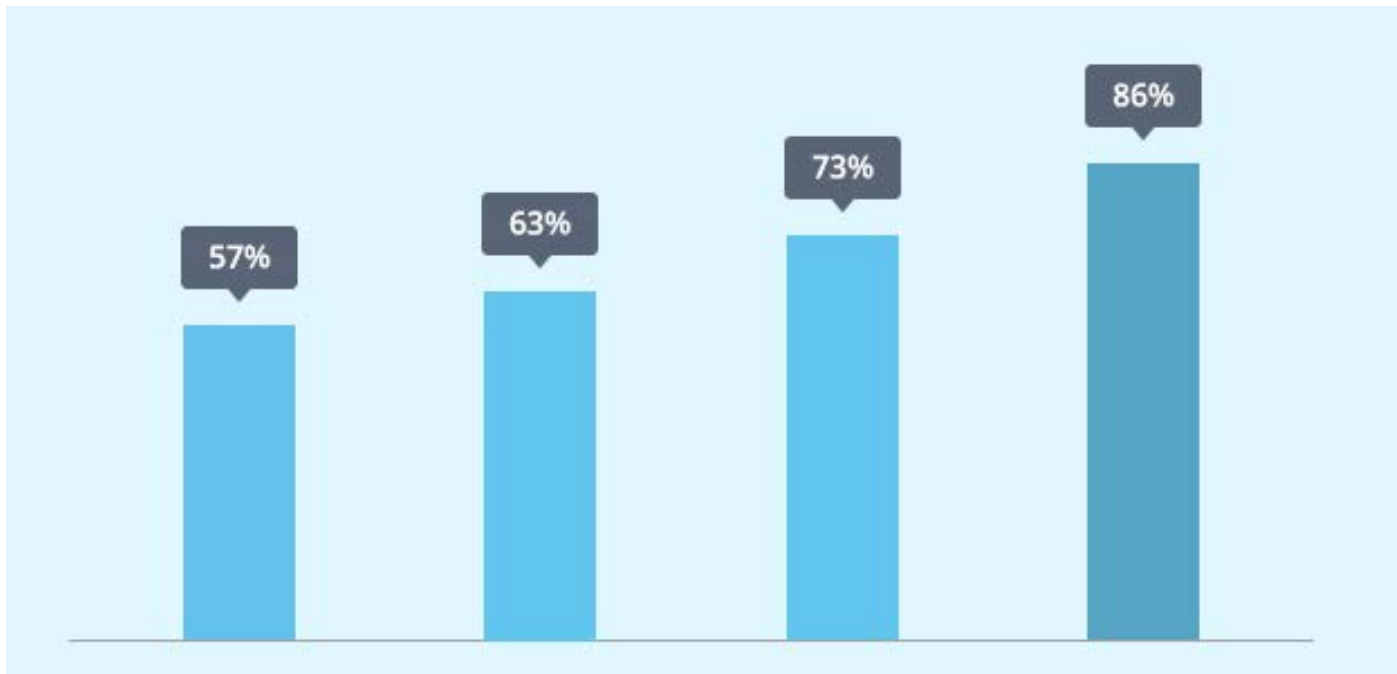
**STILL REPEATING THE SAME THING OVER
AND OVER AND EXPECTING DIFFERENT RESULTS?**



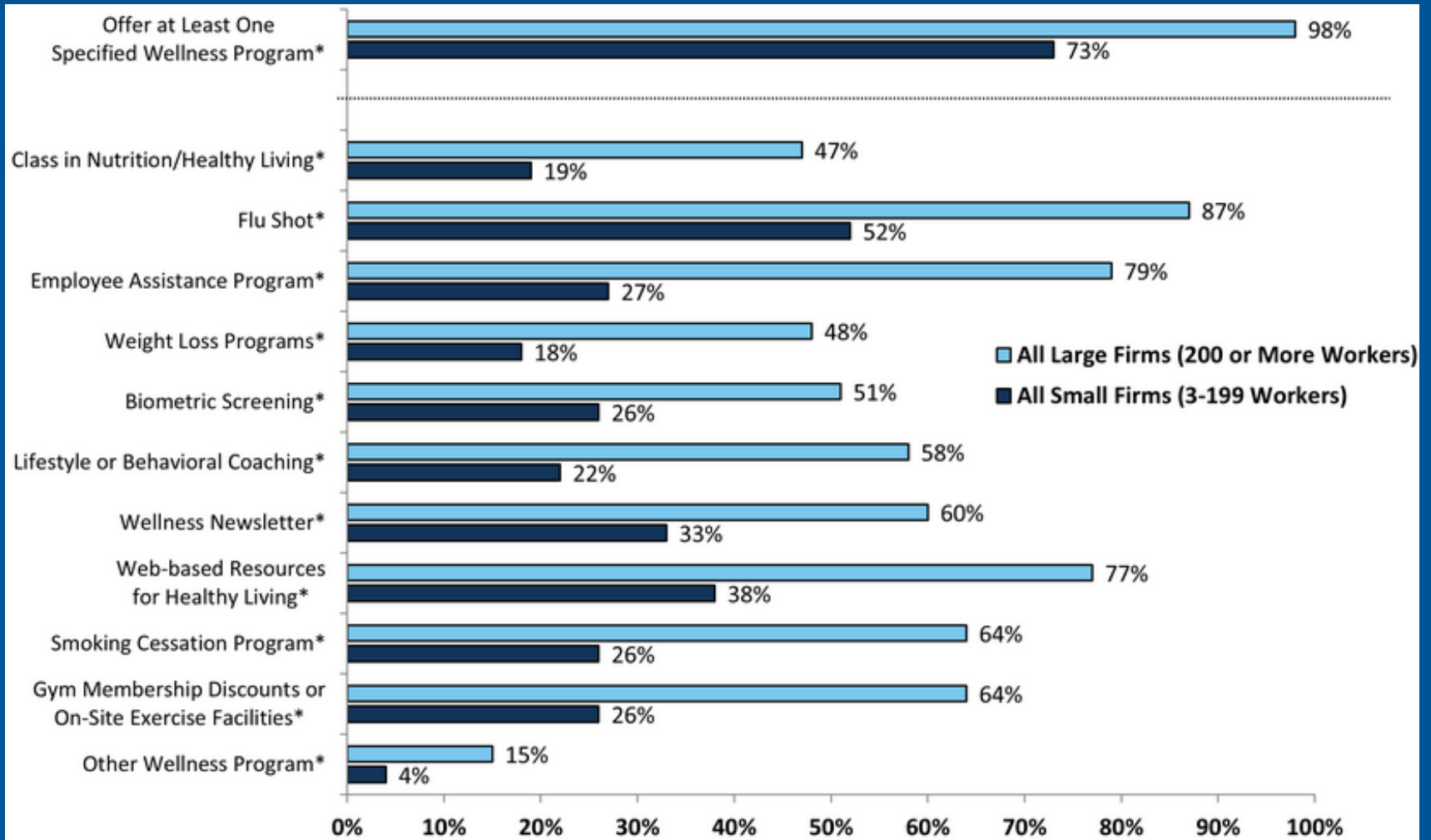
**HOW'S THAT
WORKING FOR YOU?**

WELLNESS PROGRAM POPULARITY

Nearly 9 of 10 Americans are offered some type of worksite wellness program



WELLNESS PROGRAM COMPONENTS



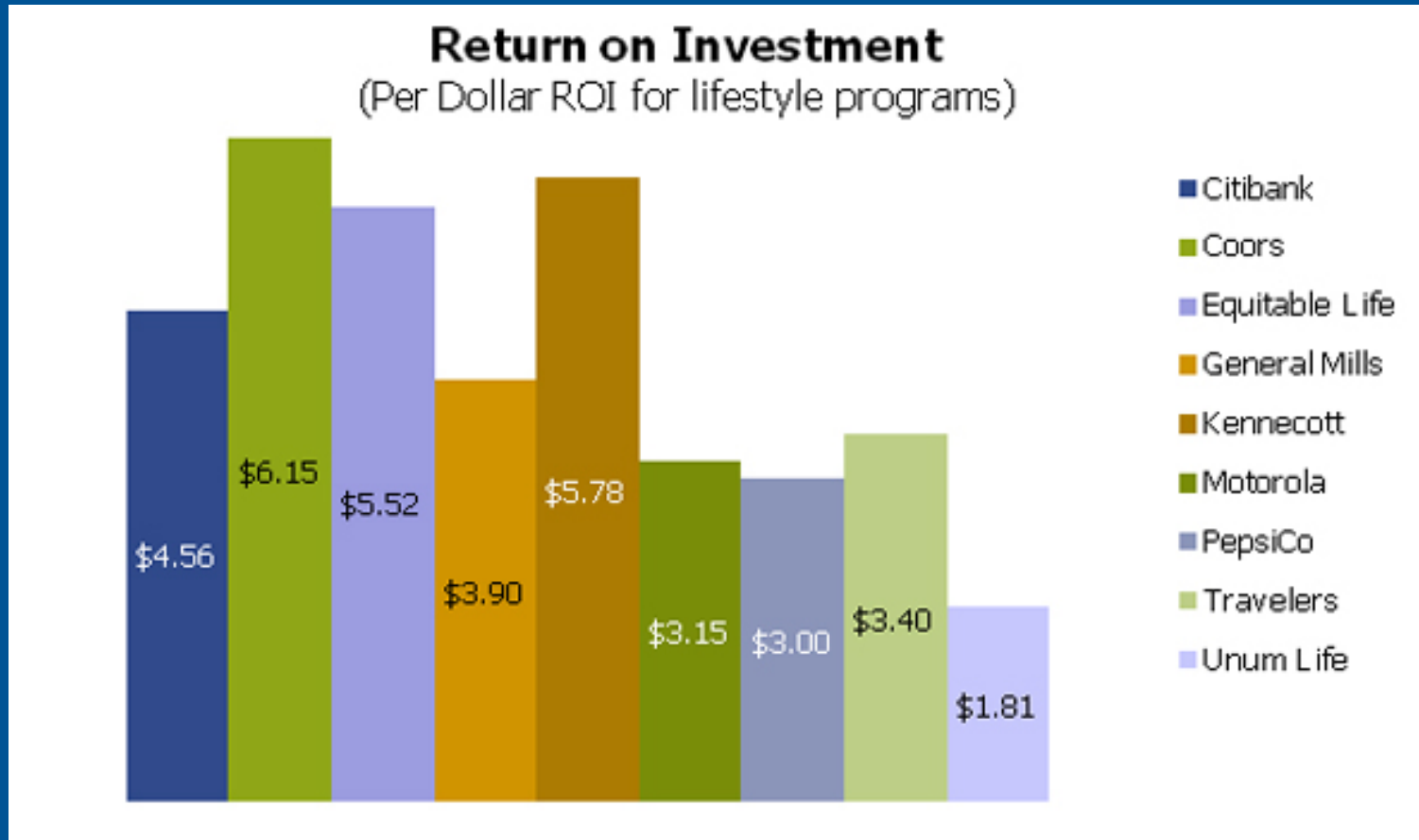
* Estimate is statistically different between All Small Firms and All Large Firms within category ($p < .05$).

^ Biometric screening is a health examination that measures an employee's risk factors such as cholesterol, blood pressure, stress, and nutrition.

SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

WELLNESS PROGRAMS -

Are They Working... Some say YES



WELLNESS PROGRAMS - Are They Working... Some say NO

Workplace wellness programs popular, but do they improve health?



Life Fitness employees Miki Tosic, from left, Greg Urbaniak, Jake Seidelman and Dave Walsh, all members of the Rosemont company's running club, hit the trail from work this fall. The company launched a wellness program about a year ago. (Terrence Antonio James, Chicago Tribune)

By Judy Peres
Chicago Tribune

How Corporate Wellness Programs Can Hurt Your Health

They're more common than ever, but some company initiatives don't have the intended effect

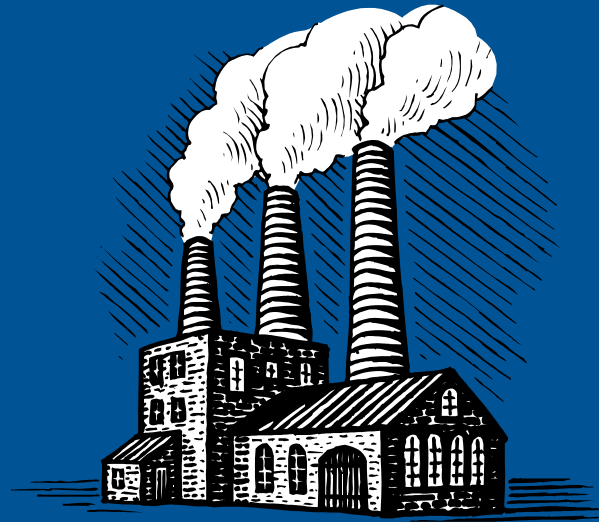
Return on Investment (ROI) Measured



WELLNESS PROGRAMS - Are We Looking At This Right?

Priority	Africa	Asia	Australia	Canada	Europe	Latin America	United States
Improving workforce morale/engagement	4	6	1	3	1	1	4
Reducing employee absences due to sickness	1	2	7	1	3	4	3
Improving workplace safety	2	1	3	5	4	2	7
Improving worker productivity / presenteeism	5	8	4	2	2	3	2
Maintaining work ability	3	3	5	6	5	6	5
Furthering organizational mission / values	9	4	2	7	6	5	6
Reducing health care or insurance premium costs	7	10	10	4	10	8	1

SOURCE: Working Well: A Global: Survey of Health Promotion; Workplace Wellness and Productivity Strategies. Buck Consultants, 2014.



What is the business value of a healthy working population?

OPERATIONAL COSTS- PRESENTEEISM



A cable television technician working slower because he is out of breath from an asthma flare-up.



An office manager with depression who is not interacting well with her team.



A client care representative with medication side-effects who loses focus on customer satisfaction.



A skilled tradesman struggling with a pulled back after cleaning the garage, who requires more frequent breaks.

OPERATIONAL COSTS- ABSENTEEISM



The foreman of a critical operation is out and another associate has to be pulled from other work to fill in. He's not as good.



Three line workers are out with the flu, the company will need to hire temporary staffing to get the work done on time.



A legal and compliance expert is out on maternity leave. Her replacement will need considerable training.



Two account managers are out on short term disability. Their workload will have to be load balanced with the remaining three AMs.

THE FACTS- COMPLIANCE IS KEY

	Members	Percent of Members	Average PMPY	Spend (\$ in millions)	Percent of Spend	Average Age
Low Relative Risk Score (< = 1.13)						
Low Care Gap Index (0 -2)	4,579	76.9%	\$350	\$3.4	22.0%	31.0
Medium Care Gap Index (3 -4)	807	13.6%	\$420	\$0.9	5.6%	
High Care Gap Index (+5)	81	1.4%	\$1,870	\$0.4	2.3%	
Subtotal Low RRS	5,467	91.9%	\$383	\$4.6	29.9%	
Medium Relative Risk Score (> 1.13 and < = 2.69)						
Low Care Gap Index (0 -2)	249	4.2%	\$3,660	\$1.7	10.8%	42.2
Medium Care Gap Index (3 -4)	74	1.2%	\$4,720	\$0.8	4.9%	
High Care Gap Index (+5)	36	0.6%	\$4,940	\$0.4	2.7%	
Subtotal Medium RRS	359	6.0%	\$4,007	\$2.9	18.5%	
High Relative Risk Score(> 2.69)						
Low Care Gap Index (0 -2)	52	0.9%	\$10,710	\$1.0	6.5%	49.5
Medium Care Gap Index (3 -4)	30	0.5%	\$14,070	\$0.9	5.9%	
High Care Gap Index (+5)	43	0.7%	\$61,040	\$6.1	39.2%	
Subtotal High RRS	125	2.1%	\$28,830	\$8.0	51.6%	
Total	5,951		\$1,199	\$15.5		

THE FACTS- COMPLIANCE IS KEY

	Members	Percent of Members	Average PMPY	Spend (\$ in millions)	Percent of Spend	Average Age
Low Relative Risk Score (< = 1.13)						
Low Care Gap Index (0 -2)	846	58.8%	\$1,070	\$2.1	19.1%	
Medium Care Gap Index (3 -4)	110	7.6%	\$1,550	\$0.5	4.4%	29.8
High Care Gap Index (+5)	31	2.2%	\$2,030	\$0.2	1.6%	
Subtotal Low RRS	987	68.6%	\$1,154	\$2.8	25.1%	
Medium Relative Risk Score (> 1.13 and < = 2.69)						
Low Care Gap Index (0 -2)	178	12.4%	\$3,510	\$1.4	12.5%	
Medium Care Gap Index (3 -4)	74	5.1%	\$4,130	\$0.9	7.8%	48.3
High Care Gap Index (+5)	80	5.6%	\$4,700	\$1.1	9.6%	
Subtotal Medium RRS	332	23.1%	\$3,935	\$3.3	29.9%	
High Relative Risk Score (> 2.69)						
Low Care Gap Index (0 -2)	36	2.5%	\$14,530	\$1.3	11.9%	
Medium Care Gap Index (3 -4)	32	2.2%	\$12,540	\$1.1	9.6%	53.0
High Care Gap Index (+5)	52	3.6%	\$18,150	\$2.6	23.5%	
Subtotal High RRS	120	8.3%	\$15,568	\$4.9	45.0%	
Total	1,439		\$2,997	\$11.0		

SECTION III

CASE STUDIES

MANATEE COUNTY, FLORIDA



More than Wellness: A Comprehensive Approach to Managing Costs and Creating a Culture of Health

Kim Stroud, MA, LMHC

Benefit Manager

Manatee County Government



Manatee County Government

- *Self Funded PPO Plan*
- *3100 Employees/6800 covered lives*
- *Board of County Commissioners and Constitutional Agencies*
- *History:*
 - *PPO*
 - *Premiums increasing*
 - *1 Wellness Specialist in 2000*
 - *Unique Plan Design in 2006*
 - *14 Onsite Health and Wellness Staff-2015*
 - ***Negative 2.5%*** *trend since 2009 without cost shifting*



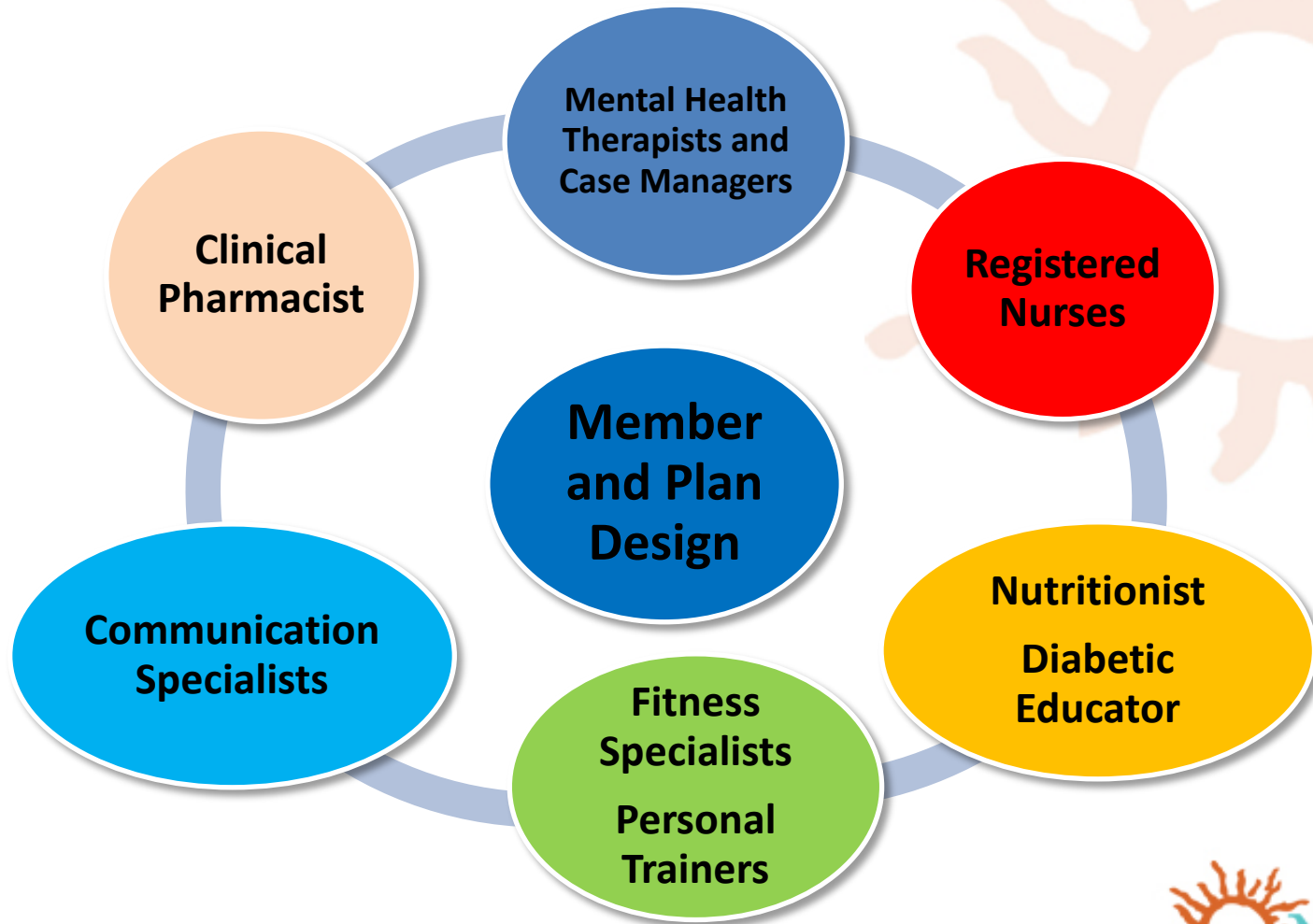
What is Wellness?

Plan Design, Incentives, Programming

- *4 Plan Levels-Reimbursement decreases*
- *Equal Premiums*
- *Preventative Care and Tobacco Status drives eligibility for Plan Design*
- *Incentive Programs to reduce premiums:*
 - *Weight*
 - *Exercise*
 - *Heart Health*
 - *Diabetes and Pre-Diabetes*
 - *Blood Pressure*
 - *Fitness Level*



Integrated and Comprehensive Care



Menu of Services/Programs On-site

- *Medical and Behavioral Health Utilization and Case Management*
- *Medication Therapy Management*
- *Nutrition Counseling*
- *Onsite Mental Health Therapy*
- *Personal Training and Onsite Group Exercise*
- *Fitness Center*
- *Health Coaching*
- *Tobacco Cessation*
- *Stress Management-HeartMath*
- *Weight Management/Weight Loss*
- *Competition based incentives*
- *Lunch and Learns*
- *Disease-specific Education Courses*

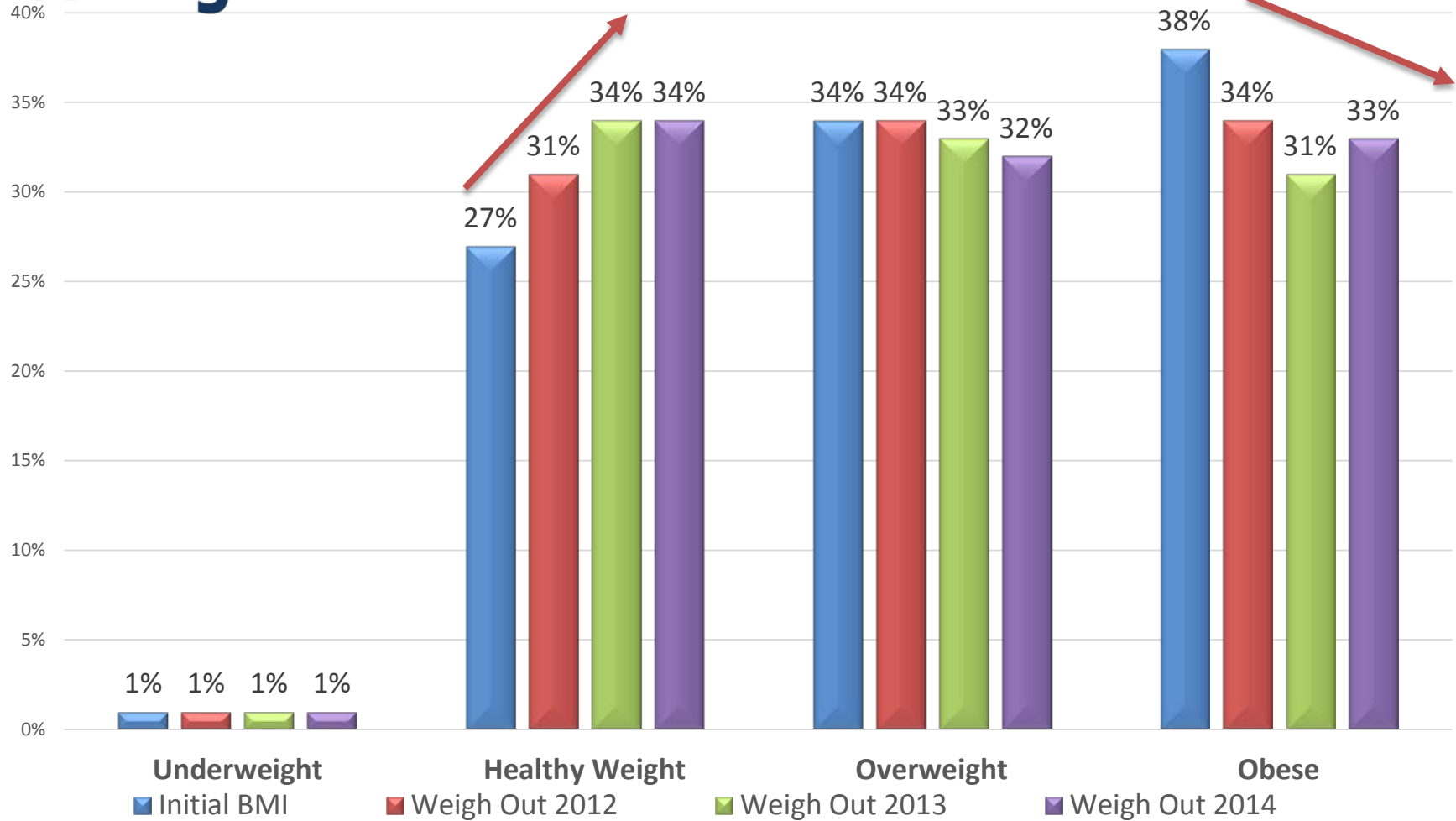


Engagement in Prevention

- *97% of adult members complete:*
 - *Comprehensive Lab Work*
 - *Health Risk Assessment*
 - *Preventative Exam by Primary Care*
- *93% Complete Age-Based Screenings:*
 - *Mammograms*
 - *Colonoscopies*
 - *Pap/Pelvic*



Yweight? BMI Comparison 2011 -2014



Diabetes Mission Control

- 311 members with Diabetes enrolled in program
- Incentive to engage in behaviors to reduce HbA1C
- 51% earned incentive
 - 92% of those earned full incentive by maintaining HbA1c level that was in good control or significantly reducing HbA1c



Our ROI

- *Negative Trend with no cost shifting to employee*
- *98% of Exit Interviews give highest marks for Benefit and Wellness program*
- *Reductions in biometrics and labs*
- *High usage of Primary Care*
- *85% Generic prescription usage*
- *Employee Feedback*



THE PROBLEM



Employees = 3,800

2009

Health Insurance PREMIUMS ↑ 53%

resulted IN 141% ↓ LOSS RATIO

Initial HRA Assessment



30%

were identified as High Health Risk

2 Onsite Health Centers



Patients w/Hypercholesterolemia ↓ their heart and cardiovascular complications by 16%

EMPLOYEES SAVED \$184,000 through no co-pays at health clinics



BMI (Body Mass Index) ↓ by 7.7%

For every \$1 invested = a return of \$1.80 in Health Plan Savings

COUNTY OF SANTA BARBARA, CALIFORNIA



The County of Santa Barbara experienced a **1.84:1 ROI**

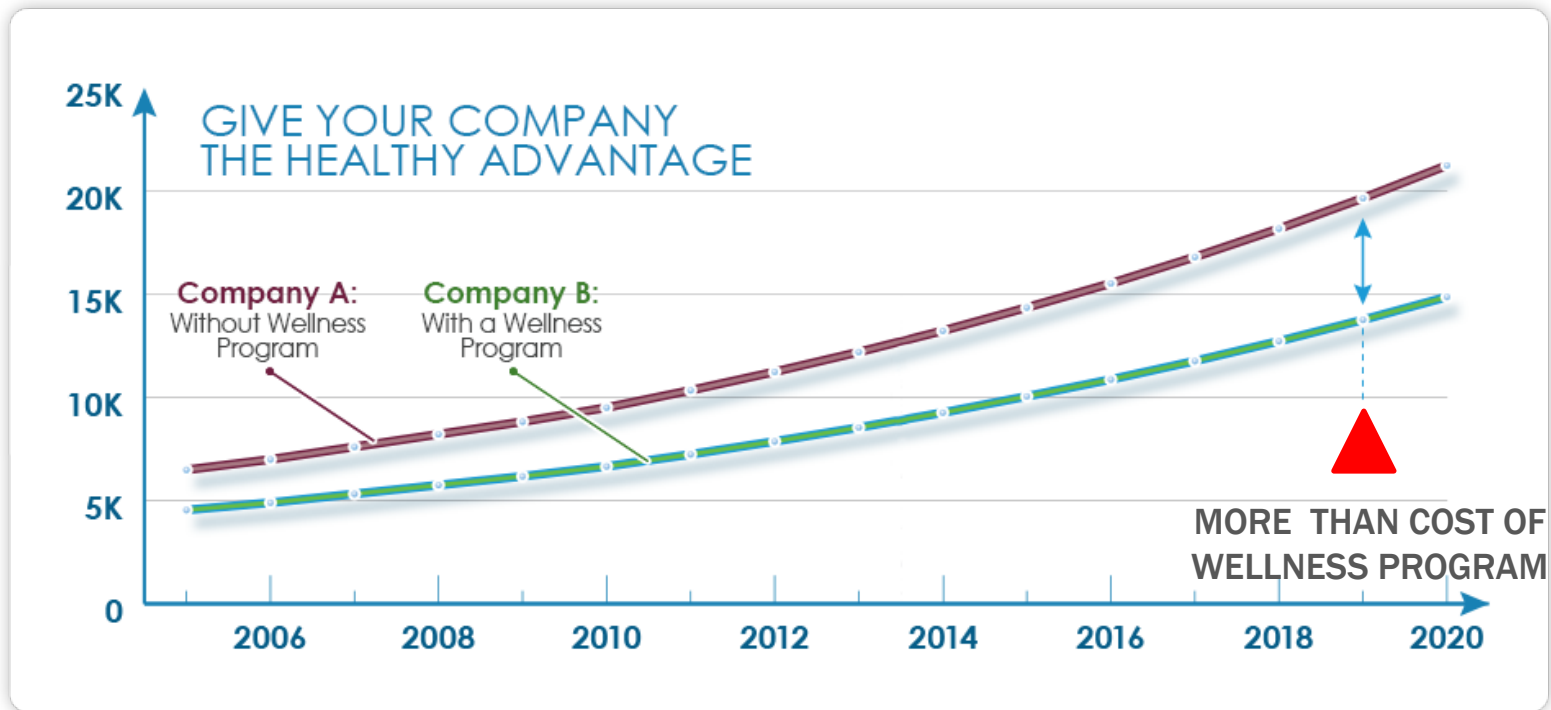
- Employees saved over \$184,000 in co-pays
- Lowered cholesterol by 16%
- Lowered blood pressure by 7.7%
- Reduced BMI by 29%

The County of Santa Barbara's Board of Commissioners was so pleased with the results of its onsite health centers, they are expanding coverage to include all county health plan dependents over the age of 16.

SECTION IV

BEST PRACTICES

THE GOAL... MORE THAN 1:1



BEST PRACTICES

Pillars to success:

- Multi-level leadership
- Alignment/ Holistic
- Scope, relevant, and quality
- Accessibility
- Partnerships
- Communication

BEST PRACTICES

- **Multi-level leadership**

- Wellness/ benefits committee
- Leadership “walks the walk”

- **Alignment**

- “Win/Win”
 - Compensation example
- Incentives- Carrot vs. stick
- Plan design
 - Choices, but high performing---CADIALLAC TAX = TOTAL COST
 - Claim stratification--- 80% of employees are over-insured

BEST PRACTICES

- **Scope, relevant, quality**
 - What's the goal? WIFM?
 - Privacy
- **Accessibility**
 - Something for ALL
 - Include the spouses (typically 50% of costs; key influencers)

BEST PRACTICES

- **Partnerships**

- Experience in your space
- Access to data
- Carrier partners “buy in”
- Privacy/ Security

- **Communications**

- Early, often, and can never be too much
- Different mediums
- Use emotions
- Grass root marketing works

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Thank You For Your Time!



David Young & Lester Morales
Healthstat Business Consultants

(828) 691-6555

david.young@healthstatinc.com



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Excise Tax on High-Cost Employer-Sponsored Health Coverage: What Counties Need to Know

NACo's publication on the excise tax is available at:
www.naco.org/healthexcisetaxpub

Continue the Conversation at the NACo Annual Conference, July 10-13, 2015

Don't Miss the Educational Sessions Covering
Employee Wellness, Mental Health, Human Services
and Building a Culture of Health

Visit www.naco.org for more information



MECKLENBURG COUNTY, NORTH CAROLINA