



## LINDSTROM INSURANCE

EMPLOYEE BENEFITS • LIFE AND DISABILITY INSURANCE

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### Have you used our Free H.R. Service?

We pay for all of our group clients to utilize a free Human Resources Support Center. It's available on our website, and we hope you're taking advantage of it! You can login using our website at:

<https://www.lindstrominsurance.com/services/human-resources-support-center/>

Your login is likely your email, and your password was initially set as "Lindstrom". Perhaps you've changed your password by now, but if you've forgotten it, let us know and we can reset it for you.

You can download an employee handbook and customize it, see what state and federal laws apply to your group, access "Quick Guides" and other information to help you with hiring, terminations, administration of leaves, etc.

Let us know if you'd like to walk through the functions or if you have any questions.

### Purchasing Pools offer Kaiser plus Other Options

Some of your employees are happy with your current plan selection, but others would like a different option. Enrolling your group with two different insurance companies, like Kaiser and Anthem Blue Cross, means maintaining two sets of forms and benefit comparisons, paying two bills each month, etc.

The PPO carrier generally needs more than half of the eligible employees to select their plan, so if too many employees enroll in Kaiser, you could fail to meet participation guidelines at your renewal.

With one of the purchasing pools offered to small groups in California, you can combine everyone on one billing and deal with only one medical enrollment form. California Choice has been around for over 20 years and has dental, life insurance, and vision options included, their PPO carrier currently is Blue Cross, though not their full-network PPO plan. Covered California Small Group (formerly "SHOP"), is a newer option with fewer carriers and, frankly, still may have some rough edges.

You could have just one employee enroll with the PPO, while everyone else selects a Kaiser plan. New restrictions have been imposed, however, so if you already have a Kaiser contract, you won't be able to enroll in one of the Purchasing Pools "off cycle". Contact Betty for more details.



## New Rating Methodology Results in Higher Rates for Children in 2018

Small group rates are determined by each insurance carrier, but the rate factors for each age are determined by the government. You may remember hearing as part of the PPACA, or Obamacare, that the ratio between the cost of coverage for a 21 year old and a 64 year old would be limited to a 1:3 ratio.

For example, if the monthly cost of a certain plan for a 21 year old is \$400, then the maximum cost for a 64 year old would be \$1200. Rates are now set for each age, rather than in 5 or 10 year age brackets. Rates are based on the employee or dependent age at the renewal date, so no more mid-year rate adjustments when someone has a birthday.

Children ages 0 to 20 were charged at the same rate factor for the last few years, but in 2018 this is changing to a single factor for ages 0 through 14, and one year age bands for ages 15 through 20. The child rate factor has also increased, from .635 to .765. So if a 21 year old is charged \$400/mo for that sample plan, the children age 14 or under in the same plan would be increasing from \$245/mo to \$306/mo this year, even if the group has no increase in their pricing at all!

The 15 year olds will be paying .833 x the 21 year old rate, 16 year olds .859, 17 year olds .885, etc. So dependents age 15 - 20 are now more expensive than younger children. We can provide copies of the rate curve tables if you're interested.

## Limited Networks vs Full Networks

Each year we deal with increasing premiums on almost every renewal. Some of our groups have found some relief for their budget by moving from full-network plans to narrow or limited-Network plans. In our area, we have three different large medical groups:

- Kaiser
- Sutter / Palo Alto Medical Foundation
- Dignity Health / Physician's Medical Group

If your plan is anything other than a Kaiser HMO, your employees are essentially selecting doctors from one of the two original medical groups in Santa Cruz County. Plans allowing access to both are "Full" network plans, while plans restricting access to just one or the other would be "Limited" network plans. If all other factors are the same, you can generally save 3% to 15% depending upon the carrier and the benefit level.

You may offer full network plans alongside limited network plans with some carriers. If everyone in your group needs access to PAMF and never goes to Dignity Health, you may want to consider the new Sutter Health HMO. They do not offer PPO options, however.

Before we talk about your renewal, you may want to take a survey of your employees to see what the "favorite" medical group is, or if you do truly need to offer access to both to keep employees properly covered.

Let's discuss these options when we look at plans and rates for your renewal.

## Being Prepared for Employee Leave of Absence Requests

When an employee needs to take time off due to a non-work related medical condition or to tend to a sick family member, do you know what to do? How does that effect the employee's health and dental coverage?

The answer depends upon the number of employees in your group (over 50 employees have specific guidelines under the Family Medical Leave Act (FMLA) and similar legislation in California, while those with fewer than 50 are not subject to that law). It also depends up on the cause of the medical leave.

If you have an employee taking a leave due to pregnancy, it doesn't matter how large or small the group, you WILL leave them on the group plan and you WILL be required to continue to pay your share of the premium (as you've been doing while she was actively employed).

In any of these situations, it's wise to have a prepared "Leave of Absence" procedure, and a document with blanks for start and expected end date of the leave, spelling out how long you're willing to hold the person's position (or hold some position for them if you can't hold their specific job), how long you'll continue to pay your normal share of their premium, what will happen if they do not return to work by the specified date (termination of employment? Offer COBRA or CalCOBRA using that date as the "reduction of hours" or "termination" qualifying event?) and how you expect to be reimbursed for their normal share of the premium.

Sample documents are available in the "forms" section of our H.R. Support website.



## Pay Premiums On Time to Avoid Late Penalties or Fees

Group Insurance Premiums are due on or before the first of the month. Most health insurance plans are considered "prepaid health plans" and, although some have a 30 day grace period, not all plans offer this.

California Choice plans have a due date the 20th of the month prior to the coverage month and a 10% penalty is assessed if your payment is not received by the first of the month.

Other carriers do not yet have such a penalty, but do charge reinstatement fees if you fall behind. If premiums are not paid on time, some carriers will hold payment of claims incurred until premiums are brought current.

## Moving to a New Carrier?

If your group will be moving to a new carrier for Medical or Dental coverage, please **stop any automatic payments** the month before you plan to switch.

We always ask for letters to your old insurance company to cancel coverage when we're certain coverage is approved with the new carrier, but we have no idea if you've made arrangements for automatic bank drafts or other automatic payments. Refunds can take months to arrive in your office!

## Do you have an Employee Eligible for Medicare?

We're happy to meet with employees approaching age 65 to discuss the options available (other than staying on your group insurance plan).

It's likely that the employee may enjoy more options at a lower cost using Medicare as their primary source of medical coverage vs the group insurance....greater access to doctors, lower out of pocket costs, and lower premiums. You MAY NOT pressure an otherwise eligible employee to leave your group plan, but if we decide it's in the employees best interest to move and the employee initiates the change, you're clear.

Give us a call if you'd like to discuss costs, your options as an employer, what you need to keep in the employee file to document it was their decision to leave the group plan, etc.

## Cadillac Tax Delayed

As part of the February legislation to fund the government, Congress voted to delay implementing the Cadillac/Excise tax until 2022. A moratorium of the Health Insurance Tax (HIT) was also implemented, which was set to start in 2019.

The Cadillac Tax will impose a 40% excise tax on "high cost employer-sponsored health plans", where the cost exceeds predetermined threshold amounts.

For planning purposes, the thresholds for "high-cost" plans are currently \$10,200 for individual coverage, and \$27,500 for family coverage. The thresholds will be updated before the tax takes effect in 2020 and indexed for inflation in future years.



## Additions and Terminations

Please remember that "new hires" are considered eligible when they've worked the requisite number of hours (usually 30 hours/week) for the eligibility waiting period (typically 30 or 60 days, but this varies by plan). Coverage generally starts the first of the following month.

**Carriers have absolutely no sense of humor or inclination to be merciful if a deadline is missed. Late enrollees may be required to wait until your next open enrollment period to be added to the plan.** We recommend submitting the enrollment form BEFORE the desired effective date. Send forms to us via fax or, if password protected, email to Carol or Judy using: [enrollment@lindstrominsurance.com](mailto:enrollment@lindstrominsurance.com)

Newly eligible dependents must be added to the plan(s) within 30 days of the wedding, within 30 days of the adoption or birth.

If an employee reduces their hours, quits, is involuntarily terminated, etc., there is generally a form to submit to notify the insurance carrier that coverage should end. This must be submitted prior to the last day worked or during the month in which coverage should terminate. Insurance companies do not give retro-active credits for employees who should have been taken off the plan a month or more prior to requesting the termination. Again, if you have enrollment online, the termination may also be processed electronically. Please call us if you need clarification on any of this.