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HR and Benefits Update

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Industry Spotlight: Impact of Employee Financial Stress on Health and Productivity

As more employers turn towards corporate wellness programs to control insurance and claims costs by helping employees improve their health, some are looking at the impact of their employees' financial wellness upon their health and productivity.

A recent study titled "Negative Health Effects of Financial Stress" found that 51% of employees reported that they are under "moderate financial stress", with 35% claiming to be under "severe" or "overwhelming" financial stress.[1] The study also indicated that 82.5% of respondents said that their financial stress resulted in negative health effects, including headaches, digestive problems, depression, high blood pressure, insomnia, and appetite disorders.

Another similar study found that 25% of employees suffer from serious financial stress, with almost half of those employees reporting that their health has been negatively affected by it.[2] Eighty percent of those employees also indicated that they deal with their financial issues during work, including time spent communicating with their creditors.

It is estimated that the cost of employee financial stress to employers is $15,000 for each affected employee. This cost is what is driving some employers to consider adding financial counseling services to their employee benefits offerings. Eighty percent of employees say that they are interested in receiving financial counseling through their workplace, and would use this service if offered. In addition to helping improve their health and reduce healthcare costs, improved financial well-being among employees can result in a 30% increase in productivity.[2]

Employers may turn to a variety of sources if they choose to provide financial counseling to their employees. In addition to offering these services as a single employee benefit, many Employee Assistance Programs (EAPs) and some wellness companies are beginning to integrate financial counseling into their packages. An integrated approach can help employees understand the impact that financial stress has on their physical and mental health, and learn better ways to cope with their finances and mitigate the impact of financial stress.

1. Employee Benefit News. Financial, EAP Counseling Can Improve Fiscal, Physical Health. March 1, 2007.
2. Employee Benefit News. More Employees Report Floundering Financially. February 2, 2006.

An Important Consideration When Reviewing a Potential LTC Policy

What should you look for when considering a long term care (LTC) insurance policy for your employees? A very important—and often overlooked—benefit to the employee is the Home Health Care (HHC) feature. As you review LTC products, you'll often notice a reduced benefit for the HHC feature—often stated at 50%. As this is the most critical component of an LTC plan, according to employees[1], the coverage amount should be the maximum available (at least 100% HHC benefit; some coverages go up to 130%) to allow them to have their health needs managed at home for as long as possible, versus in a nursing care facility.

Unfortunately, HHC expenses are often presented as lower than those of a nursing care facility. Though this is true in some instances (normally the comparison shows HHC for 8 hours per day), it is often the case that HHC expenses are dramatically higher than those of a nursing care facility, especially when 24-hour HHC coverage is required[1].

Additionally, one must factor in the future of HHC. With the miniaturization of medical equipment such as oxygen tanks, we have already seen how people can

receive health services at home that were formerly only available in a facility—and can increase their mobility as well! As home health equipment continues to become more sophisticated and maneuverable, and HHC services more widely available, we will see a trend towards an increase in home medical service usage.

You can help your employees with their future needs now by structuring their LTC policy to provide maximum available HHC cost coverage, potentially giving them the medical care they need in the comfort of their own homes.

Even the Playing Field with Nonqualified Plans

Want to establish an equitable benefits program for all of your employees? While you're doing so, how about rewarding key employees within your company? Interestingly enough, in order to truly provide comprehensive benefits to all, employers should consider remunerating the highly-compensated employee (HCE) above and beyond the basic benefits and salary package provided to the non highly-compensated (NHCE)—with a nonqualified plan.

What does this mean and how does this work? HCEs have salary-based pension plan contribution limits that often do not allow them to save a proportionate percentage of their pay (compared to NHCE contribution limits) for retirement. To "even the playing field", an employer can use a nonqualified plan to provide incentives above and beyond pension plan contribution limits. Additionally, and certainly of great importance, this is an opportunity for employers to recruit, retain and reward key executives.

A nonqualified plan allows HCEs to defer the receipt of taxable wages or bonuses until some future year when, ostensibly, they're in a lower tax bracket—thereby paying less in taxes when the compensation is received. Although nonqualified plans are easier to establish than qualified plans, there are specific rules that must be followed to achieve the objective of deferring an employee's taxable compensation. All nonqualified plans must satisfy the following three requirements:

» The deferred compensation arrangement between the employer and the employee must be entered into before the compensation is earned by the employee.

» The deferred compensation cannot be available to the employee until a previously agreed-upon future date or event.

» The amount of the deferred compensation cannot be secured; it must remain available to the employer's creditors.

Using a nonqualified plan to even the playing field and provide recruiting incentives is a "can't miss" proposition! For more information regarding these plans, please speak to your financial advisor.

Benefits Compliance FAQ

Question: We have an employee who is enrolled in our group medical plan, is eligible for Medicare and will be retiring soon. How will Medicare affect his COBRA eligibility and benefits?

Answer: Medicare "entitlement" means that an individual is eligible for and enrolled in Medicare. Enrollment in Medicare Part A (hospital benefits) is automatic for an individual who receives Social Security benefits. An individual who is not yet receiving Social Security benefits would need to apply for enrollment in Part A.

Enrollment in Medicare Part B (medical benefits) is not automatic and requires an enrollment application. Enrollment in Part B may be delayed by an individual who has group medical coverage as an active employee (which does not include COBRA coverage, since the COBRA participant is not an active employee). An individual may enroll in Part B during the 8-month period that begins the month their employment or the group health plan coverage ends, whichever comes first, without being subject to penalties which may include a higher premium. (42 CFR 407.20)

If an individual is entitled to (i.e., enrolled in) Medicare prior to electing COBRA, the individual is eligible for the full period of coverage under COBRA. However, if the individual is entitled to Medicare after electing COBRA, the former employers' medical plan may have an option to terminate the COBRA individual's coverage, if it is written in the plan document. This is a plan choice, not a requirement, and the procedure/process should be included in the plan's documents. (ERISA 602(2)(D)(ii))

Additionally, Medicare is the primary payer for an individual that is covered by both COBRA and Medicare, regardless of the size of the employer. (42 CFR 411.175(a)(5))

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