Employee Benefits Report

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What a Single Payer Health Care System Could Mean to You and Your Employees

Many of the contenders for the Democratic presidential nomination are making expanded health care access part of their campaign.

With proposals ranging from eliminating private health insurance to expanding existing public programs, it's clear that some form of single-payer health care will be a big part of the Democrats' 2020 policy platform.

Single-payer health care is a general term used to describe a health care system that is run by the government and funded by taxes. There would be no co-pays, deductibles or insurance premiums. However, income and payroll taxes would increase. Also,

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The Human (or Robo) Advantage in Financial Planning

Technological advances in the financial planning industry include member access to interactive online planning tools. The tools allow members to calculate how much they need for retirement or how much they need to save to live a comfortable lifestyle. But when considering serious financial advice, most individuals also want the human touch.

A study commissioned by MDRT, a trade association of financial professionals, and conducted by The Harris Poll, examined what more than 2,000 consumers think of using tech-

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there would be little to no private insurance, no employer-sponsored health care and probably no Affordable Care Act federal and state insurance exchanges.

Here's a quick primer on some of the proposals and what they would mean to you and your employees if they become reality:

Medicare for All

In its current form, Medicare provides health insurance for Americans age 65 and older and for those with certain diseases or disabilities. The government determines the prices it pays doctors and hospitals. Those who are interested can enroll in private Medicare plans that offer additional benefits.

Sen. Bernie Sanders, an Independent from Vermont who ran for president in 2016 and has announced his interest in running in 2020, introduced the "Medicare for All Act" bill in the Senate. The bill was co-sponsored by 16 others, including other presidential nominee contenders: Democrats Kamala Harris of California, Elizabeth Warren of Massachusetts, Cory Booker of New Jersey, and Kirsten Gillibrand of New York. A similar proposal introduced in the U.S. House of Representatives by Democratic Rep. John Conyers of Michigan has 117 co-sponsors.

The bill's proposed health care system differs from traditional Medicare coverage in that all Americans would be covered for emergency surgery, prescription drugs, mental health care, and eye care without paying a copay. There would be no private health insurance because duplicate coverage would be forbidden.

To help pay the costs, employers would pay higher taxes instead of paying for private plans.

Public Option. The public option is a compromise between a single-payer system and our current system, where only certain Americans qualify for government-run programs. Public-option plans would allow middle-income, working-age adults to also pay for a public insurance plan instead of a private insurance plan.

Socialized Medicine. Currently, there are no serious proposals to fully socialize the United States health care system. Socialized medicine is government-run Medicare, but the government also manages hospitals and employs doctors. Britain has a socialized system, and the United States has a socialized system for military veterans through the Department of Veterans Affair. The government owns hospitals; employs medical providers; and negotiates directly with pharmaceutical companies for drugs.

Universal Coverage. Countries with universal coverage have private health insurance plans, but include heavy regulations and government subsidies to make the premiums affordable.

Single Payer Legislation and Employers. The Kaiser Family Foundation estimates that 156 million people in the United States have health insurance coverage through an employer, while Medicare covers 43 million and Medicaid covers 62 million. If Sen. Sander's Medicare for All is passed into law, Medicare would completely replace employer-sponsored health coverage.

The good news for employers is that you no longer would have to choose health care coverage for your employees or help pay for it. On the down side, employers would not be able to use health benefits to entice talent and probably would face higher income or payroll taxes to finance Medicare for All. Employees might not be able to get the same type of coverage or provider choices they had with employer-sponsored coverage.

nology in financial services. Eighty percent of Americans surveyed said that technology shouldn't replace the services of a human financial advisor but should be complementary. The main reasons given for working with a human advisor was the opportunity to build a trusting relationship, closely followed by the desire for a high level of human interaction and ease of communication.

However, millennials, those between the ages of 18 to 34, are more willing to rely only on technology. About half of the respondents said they would trust a robo advisor to effectively manage their financial plans, while the other half would not. Some believe assessments would be more accurate and costs would be lower with a robo advisor.

Will Single Payer Happen? Most people believe that any type of single payer legislation — in particular the Sanders bill — has no chance of being enacted before 2021 with President Trump in the White House and Republicans in control of the Senate.

Another reason the single payer option has little chance of enactment is cost. The Urban Institute, a Washington D.C. think tank, estimates that the Medicare for All proposal will cost more than $32 trillion over 10 years, which would almost double annual U.S. government spending.

The health care sector also is expected to fight against the concept because switching to a single payer system would cause an upheaval in the industry.

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The public also is wary of giving up access to private insurance. A recent Kaiser Family Foundation poll found that 56 percent of those who were polled favored the Medicare for All Act, but then when they learned it would do away with private health insurance, support fell to 37 percent. Many fear that any single payer option would mean fewer doctors, treatment and coverage choices. The Veterans Administration system and Medicare and Medicaid, which are all variations of the single payer idea, have numerous problems, including long wait times for surgery, low provider reimbursements, narrow provider networks and rising costs.

The general notion of healthcare for all is popular — particularly among millennials who view it as a right and believe government should pay for it — until they learn the cost and the negative impact it can have on the quality of patient care. ■

Ways to Make Childcare Costs a Little More Affordable

Childcare can be an employee's most expensive work-related expense. Fortunately, there is a benefit program you can offer that will at least provide tax relief to employees who use daycare providers.

The program is the Dependent Care Assistance Program (DCAP). If you can't offer a DCAP, employees also can use the Dependent Care Tax Credit (DCTC) – some employees may qualify for both.

A DCAP, also known as a Dependent Care Flexible Spending Account (FSA), usually is funded by employees through payroll deductions from pre-tax dollars. Employees submit documentation about their expenses to obtain reimbursement from their DCAP account for eligible dependent care expenses, such as babysitting.

Employees will not be taxed for expenses including:

- Care for children under the age of 13
- Funds that enable employees and spouses of employees to be employed or search for work.
- Care for dependents age 13 and older who cannot care for themselves. This includes elderly parents or dependents with disabilities while at work or attending school.

Though many people consider their pets as children, funds may not be used to pay for boarding or pet walking services.

The maximum amount employees can save in a DCAP or dependent care FSA in 2019 is $5,000 per year if the employee is married and filing a joint return, or if the employee is a single parent. Married employees who are filing separately may contribute up to $2,500 per year per

parent. The funds are "use it or lose it" and must be spent by the end of the year.

One thing to understand about DCAPs or dependent care FSAs, is that unlike health care FSAs, they do not have

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to provide a set amount of funds throughout the year. The amount available for reimbursement is limited to the amount of employee contributions made to that point, reduced by prior reimbursements.

In comparison, a DCTC is a tax credit an employee can claim on their federal income tax return. They will receive a 20- to 35-percent tax credit for up to $3,000 in expenses for one qualifying employee and $6,000 in expenses for married couples. Funds used to claim the credit are subject to federal income tax, Social Security and Medicare tax; however the credit can reduce or eliminate those taxes.

Differences Between DCAP and DCTC

A DCAP works best for those who have high adjusted gross incomes. It also works best for individuals, since they will be able to qualify for the DCAP higher maximum of $5,000 instead of the DCTC $3,000 maximum.

DCAPs also work well in states with state income taxes, because the DCAP normally reduces the state income tax liability while DCTC generally does not.

Best Uses for the DCAP Funds

The most obvious way employees can use their DCAP funds is paying for recurring childcare expenses during the work week. However, similar uses qualify for reimbursement as well:

- Before and after school care
- Day camps during the summer or over spring break (overnight camps don't qualify)
- Sick child care

What an Employer Should Know

DCAPs generally must comply with requirements in the Internal Revenue Code Section 129 to provide tax-free dependent care assistance benefits. Also, DCAPs allowing employees to make pre-tax contributions are subject to the Code Section 125 rules for cafeteria plans, plus rules applying to health FSAs (not including the uniform coverage rule). DCAPs are not group health plans, therefore employees can may contribute to health savings accounts (HSAs) provided they have a Qualified High Deductible Health Plan and meet the other HSA rules.

A DCAP often is part of a Section 125 cafeteria benefit plan, which allows employees the choice between dependent care and other non-taxable benefits. Employers are responsible for reimbursing employees for dependent care expenses, making payments to third parties and/or providing a dependent care facility for employees' dependents.

Qualified programs must be documented with a separate written plan that is part of a larger plan providing a choice of taxable or nontaxable benefits (a Sec. 125 cafeteria benefit plan). While the program need not be funded, it must meet the following requirements of Sec. 129(d): DCAPs can be (and often are) included as part of a Sec. 125 cafeteria benefit plan, which allows employees to choose between dependent care and other nontaxable benefits, or cash.

Not every company can take advantage of a DCAP. For instance, companies with many highly compensated employees may not qualify. To find out if a DCAP is right for your company, please call us. ■

Sorting Out the Alphabet Soup of Low-Cost Health Benefit Plans

You want to save money on health care benefits and you've heard there are some great alternatives to traditional insurance. But which option is right for your company?

CDHP or HDHP? And do you need an HSA, HRA or FSA account?

Here's a quick look at what each plan and account offers so you can determine with the assistance of your broker if one or more of them would be a good fit for you and your employees.

Consumer-Directed Health Plans (CDHP)

Consumer-Directed Health Plans (CDHP) use high deductibles, combined with a tax-advantaged health savings account (HSA), health reimbursement account (HRA), or flexible spending account (FSA). Employers and employees make pre-tax contributions throughout the year and pay routine medical expenses from the account.

Money not spent can be rolled over to the following year — if the account is an HSA or HRA. This is not true for FSAs. The high-deductible health insurance plan pays for care once the deductible is met.

The difference between a traditional plan and

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a CDHP is that members pay higher monthly premiums for a traditional plan, but the insurance company covers many of the costs. With a CDHP's lower premiums, members have more money for funding a health savings account. Keep in mind, though, that the plan can be expensive in the long run if the member needs a great deal of care because much of the cost will come out of their savings or bank accounts.

One of the biggest advantages of a CDHP is that members have the motivation to find the lowest prices and use health care services carefully. The Centers for Medicare and Medicaid Services found that, by increasing out-of-pocket costs, consumers become better health care shoppers because they have "more skin in the game." In comparison, members who have traditional coverage pay a flat rate for services and therefore don't have the same incentive to save money.

Currently, consumers who seem most interested in CDHPS are millennials, people born between 1981 and 1996. The Employee Benefit Research Institute (EBRI) has found that millennials want more say over their health care decisions. Millennials also had a higher likelihood to engage in wellness and preventive health behaviors.

One negative, according to researchers from the Indianapolis University and the Center for Health Reform in Dallas, is that CDHPs often encourage members to use fewer health care services as a way to save money. Research conducted by the National Business Group on Health (NBGH) revealed that consumers enrolled in CDHPs and HDHPs often are more worried about saving money than seeking adequate health care.

High-Deductible Health Plan (HDHP)

An HDHP is a specific type of CDHP and there are several regulations that a health plan must meet in order to be considered as an HSA-eligible HDHP. Generally, if a plan is a CDHP with an HSA, and the deductible is $1,350 (for a self-only plan) or $2,700 (for a family), most likely it is an HSA-eligible HDHP.

Total yearly out-of-pocket expenses, including deductibles and cost-sharing (co-pays, coinsurance) for an HDHP can't surpass $6,750 for an individual or $13,500 for a family.

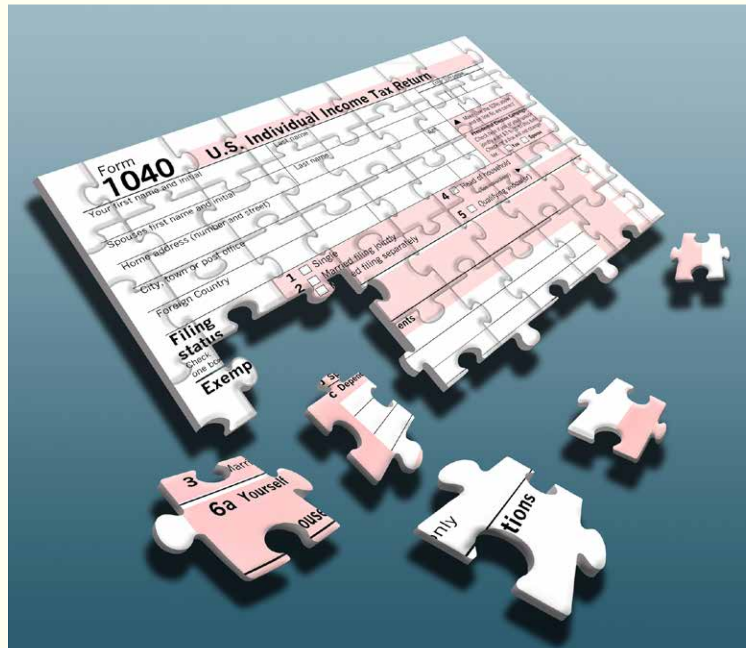
Employer Benefits

CDHPS, in addition to having lower premiums, can save employers money in taxes.

The Kaiser Family Foundation's 2018 Employer Health Benefits Survey revealed that employers who elect a CDHP can save an average of $1,722 compared to a traditional plan. And, employers who incentivize employees by matching HSA contributions through pre-tax payroll deductions can save on FICA tax (7.65%).

If you would like help finding the right plan to fit your firm, please contact us.

New Tax Deduction for Small Business Owners



Personal deductions have been the name of the game for many Americans as a way to reduce their tax liability. The Tax Cuts and Jobs Act changed that — and in the process offered new opportunity for some businesses to reduce taxable income by up to 20 percent.

Congress enacted the Tax Cuts and Jobs Act in late December 2017. The new law immediately reduced rates and many employees saw their take-home pay increase. What many taxpayers weren't expecting was smaller refunds at the end of the tax year.

Another surprise is the standard tax deduction change made many tax reduction strategies irrelevant. The new tax law increased the standard deduction to $12,200 for individuals and $24,400 for married couples filing jointly. The higher standard deduction eliminates the need to itemize for many tax payers.

There still is one reliable way to reduce personal taxes. Taxpayers can still contribute tax-free dollars to their qualified retirement plan, such as a 401(k) or IRA. For small business owners, there's an additional incentive to contribute to their own retirement plan: the qualified business income (QBI) deduction (Sec. 199A). The QBI allows business owners of pass-through entities to reduce their taxable income by up to 20 percent of the entity's profits. However, owners of specified service trades or businesses do not benefit from this deduction if their taxable income exceeds a certain threshold.

A "specified service trade or business" is defined as any business involving the performance of services in health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services. It includes any trade or business where the principal asset is the reputation or skill of one or more of its employees or owners, or businesses that consist of investing and investment management, trading or dealing in securities, partnership interests, or commodities.

The QBI deduction rules are very complex, so be sure to work with a broker to see if it's a good option for you.

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