Employee Benefits Report

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How to Fight the Employee Exodus

Officially, the COVID-19 pandemic may have started two years ago, but its side effects are still wreaking havoc in the workplace.

According to the Bureau of Labor Statistics, more than 38 million workers quit their jobs in 2021. With employee resignations rising to record numbers, employers are looking for ways to curb the exodus.

First, why do we have this unprecedented labor shortage? One explanation is that the downtime afforded by the pandemic has inspired many employees to reassess their work/life balance and look for more fulfilling careers. A new survey conducted by employment

continued on next page

401(k) Elective Deferral Limits Raised for 2022

The Internal Revenue Service (IRS) has made it easier for employees to save more in their 401(k) retirement accounts by increasing the elective deferral limits.

One of the biggest benefits of a 401(k) employer-sponsored retirement savings plan is that every dime an employee contributes –up to the limit — can reduce their current-year tax bill. Qualified individuals can contribute up to $20,500 from their paycheck, up from $19,500 in 2021. Employees fifty or older can make an additional $6,500

continued on next page

consultant Gloat indicates that the situation could get worse.

The pandemic has also made workers reluctant to return to the workplace for a host of other reasons, including.

- Covid health risks
- Early retirements
- Care duties
- Built-up savings

Wages are also rising rapidly. According to the Labor Department wage and benefits paid by employers are growing at their fastest pace since 2001. A Gallup study notes that nearly half of employees are thinking about leaving their current jobs to get better pay or more growth opportunities. Zippia Research claims that after switching jobs an employee's salary will on average increase 14.8 percent.

In addition to labor supply issues driving up wages, overall inflation is expected to remain high. The Bureau of Labor Statistics' Consumer Price Index reports that the dollar experienced an average inflation rate of 7.04 percent in the last 12 months.

Paying higher wages, though often a good solution, may not always be an available option. Nor is it necessarily the right option in many cases. Here are a few options to consider to retain and attract good employees.

No or Low-Cost Solutions

Let employees who work from home continue doing so.

Workers have proven during the past two years that they can do their jobs remotely. Plus, many employers are discovering that employees are not ready to give up the flexibility of working from home.

An executive at job site platform Indeed recently pointed out that "the paradigm of work that existed before the pandemic does not exist anymore; it's gone." He added that directors are going to have to learn how to manage this new work arrangement. While some people work remotely full time, others might settle for working remotely only some of the time.

Offer better defined career paths

Few employees want to do the same job year after year for 30 years.

Experts recommend dismantling barriers to internal career opportunities. For one thing, career development is no longer just about moving up the career ladder to the next position, it's also about learning new skills and perhaps trying a different career path.

Offering growth opportunities like these can mean a whole new mindset for employers. The Gloat survey shows nearly two-thirds of respondents don't see their current place of employment as a place where they can get the options and opportunities they are seeking.

Establish Better Communication Channels

The best way to find out what employees really want is to talk to them. Unfortunately, many employers are making changes without employee input. A Future Forum Pulse study reveals that 66 percent of executives report they are designing post-pandemic workforce policies with little to no direct input from employees.

That doesn't mean an employer has to do everything employees want, but just asking workers what matters demonstrates empathy and a willingness to listen. Management may even benefit from the experience!

The bottom line is that employers who think they can go back to pre-pandemic work arrangements will probably be disappointed. The companies that are succeeding in this new, hopefully soon-to-be post-pandemic workspace are those embracing change.

catch-up contribution.

The contribution limit for small business SIMPLE IRAs increases from $13,500 to $14,000 this year. The catch-up contribution limit for workers at least 50 years old with SIMPLE plans remains $3,000.

Employers can make matching contributions of 100 percent or less to these accounts, but for 2022 the total regular contributions for employer and employees cannot exceed $61,000, or the annual pay, whichever is less. Or $67,500 for employees 50 and older.

The salary cap for highly compensated workers increased to $305,000 in 2022, up from $290,000 in 2021. These workers may still be eligible to contribute to a 401(k), but employers may not be able to match contributions to those retirement accounts.

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What Can Employers Do About High Drug Costs?

Which of your employer-sponsored health plan costs cause you the most headaches?

If you're like 60 percent of the employers surveyed by the National Alliance of Healthcare Purchaser Coalitions, it's the rising cost of prescription drugs.

A study by the Rand Corporation in 2021 found that drugs cost an average 256 percent more in the U.S. compared to 32 other countries. One such example of a high-cost drug is Zolgensma, a one-time curative therapy for spinal muscular atrophy, a rare genetic disorder that weakens muscles and can be fatal. A single treatment costs $2.1 million and may not be covered by insurance.

The reasons for high prescription drug costs are numerous and include:

- The costs of subsidizing research and development to make new drugs are figured into the cost of a drug. The pharmaceutical industry estimates that it costs about $2.6 billion to develop a new drug.
- *Monopoly pricing power* is used by pharmaceutical companies with drug patents and exclusive rights to price and sell their drugs for maximum profit.
- Medicare, the federal health insurance program for Americans 65 and older and those with certain disabilities, is the largest single payer for prescription drugs. *Medicare is banned from negotiating drug prices* sold through Medicare and cannot create a national Medicare formulary.
- *Middlemen*, which include health insurance companies, pharmacy benefit managers, wholesale pharmacies and retail pharmacies, also increase prices to cover their costs and make a profit.
- *Patent "games,"* sometimes referred to as "evergreening," "pay-for-delay" or "withholding ingredients," is when a drug company makes a small change to a patented drug in order to maintain its monopoly and control the price.
- Sometimes a company will make a *pay-for-delay deal* to a generic drug company to postpone launching a competing, less expensive generic version.
- Generic drugs are usually less expensive than brand name drugs, but sometimes, if there are few competitors, they can be *more expensive than the name brand.*
- The *U.S. does not regulate the drug prices* to the extent found in other high-income countries.

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Employer Solutions

There are a few things you can do to lower prescription drugs costs.

- Use *Pharmacy benefit managers.* PBMs negotiate discounts and rebates with manufacturers for the drugs they provide to pharmacies, doctors and hospitals. When it works, patients get lower costs, but some PBMs don't pass the discounts on to patients. Employers are working to change the agreements with their PBMs to reduce waste and fraud and implement more effective strategies.
- *Promote Preventative Care.* The Centers for Disease Control and Prevention (CDC) reports that 75 percent of health care spending is due to chronic diseases that could be avoided by *preventative care services.* That is why three-quarters of employers offer a wellness benefit program. A Harvard University study estimates that for every dollar spent on a wellness program, healthcare costs can be lowered by $3.27. Another $2.73 could be saved in reduced absenteeism.
- *Emphasize the value of generic drugs.* Generic drugs approved by The U.S. Food and Drug Administration have met the same rigid standards as brand name drugs. According to GoodRX Health, generic medications typically cost about 80 to 85 percent less than the same brand-name drugs. ■

Not Following the Employer Mandate Can Mean Stiff Penalties

Penalties apply not only if coverage isn't offered – but if the wrong coverage is offered.

Under the Affordable Care Act's (ACA) employer mandate, applicable large employers (ALEs) must offer comprehensive health coverage to full-time employees. Employers who don't comply will face penalties if any employees become eligible for premium credits in the healthcare marketplace.

ALEs, employers who have 50 or more full-time employees and full-time equivalent employees, must offer the following coverage or face either A or B penalties. The penalties for 2022 are still being determined but are expected to be as follows:

- ***Penalty A:*** $2,750 per employee annual assessment, not counting the first 30 employees, if minimum essential coverage (*MEC**) is not offered to 95 percent or more of full-time employees and their dependents. Coverage must meet minimum value (*MV***) standards.
- ***Penalty B:*** $4,120 per employee for every full-time employee who gets a premium tax credit to help pay for coverage under a Marketplace Plan because the employer's coverage did not meet *MV** standards or was not affordable. The definition of what is considered affordable coverage is based on IRS-approved methods for calculating affordability. Although Penalty B is a higher penalty per employee, it applies only to employees receiving a tax credit for Marketplace coverage. If this assessment method is used, the total penalty cannot exceed what would have applied under Penalty A.

***MEC**

Minimum essential coverage is a term created by the ACA. All individual and small group health plans with effective dates of 2014 or later are considered MEC. Some MEC plans include essential health benefits. However, minimum essential coverage does not have to be ACA-compliant.

***MV**

Minimum Value is met when a plan pays on average at least 60 percent of the actuarial value of allowed benefits under the plan. Even if the coverage offered by a large employer does not meet minimum value, it most likely will meet minimum essential coverage.

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Plans that aren't considered MEC, even though they seem like traditional health insurance, include plans that:

- *Provide only discounts on health care services*
- *Cover only dental care or vision*
- *Provide care under workers' compensation plans*
- *Provide care only for a specific condition, rather than general medical coverage*

Essential Health Benefits

Essential health benefits is another term created by the ACA. It refers to a set of 10 coverage categories that must be included on all individual and small group health plans with effective dates of January 2014 or later. Large group health plans are not required to cover the essential health benefits (although most of them do) but are required to comply with the minimum value requirements.

Essential health benefits are minimum requirements and include:

- Ambulatory patient services (outpatient care without being admitted to a hospital)
- Emergency services
- Hospitalization (surgery and overnight stays)
- Pregnancy, maternity, and newborn care (both before and after birth)
- Mental health and substance use disorder services, including behavioral health treatment (this includes counseling and-psychotherapy)
- Prescription drugs
- Rehabilitative and habilitative services and devices (services and devices to help people with injuries, disabilities, or chronic conditions gain or recover mental and physical skills)
- Laboratory services
- Preventive and wellness services and chronic disease management
- Pediatric services, including oral and vision care (note that adult dental and vision coverage aren't essential health benefits).

Plans also must include birth control and breastfeeding services. Plans may offer additional benefits, including dental and vision coverage and medical management programs for needs such as weight management, back pain and diabetes.

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Why It Makes Sense to Offer a Digital Security Benefit to Employees

Digital security is a popular new benefit that not only protects employees but helps employers, too.

That's why 78 percent of surveyed employers told the global advisory, company Willis Towers Watson that they plan to offer identity theft protection as an employee benefit.

Digital security includes the resources used to protect online identity, data and other assets. These resources include web services, antivirus software, smartphone SIM cards, biometrics and secured personal devices. It differs from cyber security which protects the infrastructure, including entire networks, computer systems and other digital components.

As more companies allow and even encourage employees to work from home, employers are realizing the importance of protecting employees' online presence. For instance, employees who use their home computers for work and use unsecure Wi-Fi can unwittingly give cybercriminals access to employer records. Other potential threats come from employees who allow family members to use their work devices, where they may click on suspicious links or download contaminated software.

Even if the cybercriminal only steals an employee's private information, security company Sontiq.com explains that the loss can cause emotional distress, costing an average of $1,343 per identity theft incident.

Offering this benefit to your employees will create a security system that monitors unauthorized use of employees' personal identifiable information, such as Social Security numbers, bank account details, passwords, or medical information. If suspicious activity is discovered, employees receive an alert to change their passwords, freeze accounts or address fraudulent claims.

You may even wish to pay for the coverage yourself, so employees are more engaged with cybersecurity and a professional resolution is quickly available if employees' devices are hacked.

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