BENEFIT COMMERCE *group*

NEWS

Scott Wood Addresses Business Owner Summit on Healthcare Reform

Part-time Employees in Lieu of Full-time; Stepped Up Audits by DOL

Scottsdale, AZ, April 11, 2013 – Scott Wood, Principal of Benefit Commerce Group, a Scottsdale-based employee benefits firm, discussed several important facets of Healthcare Reform with local business owners this week.

Wood explained that business owners need to weigh both hard and soft costs when considering using part-time employees in lieu of full-time. He also discussed the stepped up auditing by the Department of Labor related to compliance.

In Business Magazine hosted "The New Healthcare: A Business Owner's Summit" at the Arizona Biltmore. The event was a gathering of business owners, managers and other professionals. The symposium-style program included three panels discussing insurance, medical providers and regulation related to the Patient Protection and Affordable Care Act (PPACA).

Part-time Employees in Lieu of Full-time

Some businesses are considering utilizing more part-time employees in lieu of full-time in an attempt to avoid some of the requirements and penalties related to offering health insurance to full-time employees.

"The benefit is that you may be able to avoid a $2,000 or $3,000 per employee penalty. However, you also need to factor in the cost to hire more part-time employees, the higher turnover rate you risk due to having workers with reduced pay levels, the impact to service that this can cause, and the rigid restrictions on work schedules you will need to implement to avoid inadvertently triggering a penalty," Wood explained.

He offered an example of an employer with 100 full-time employees averaging $30,000 per year in wages and not currently covered by an employer health plan. When this employer offers a Bronze level qualified, affordable plan, with an estimated premium cost of $350/month, the maximum contribution for the employee (to maintain the “affordability” required by PPACA) is 9.5 percent of wages. This would be a $238/month ($2850/year) employee contribution and an employer contribution of $112/month. If 75 percent of these employees take this coverage, the cost to the employer equates to $0.49 per hour.

“And then you have to ask what are the chances of 75 percent taking the coverage, versus the known cost of hiring 43 additional part-time employees,” Wood said. “The total cost to hire the additional part-timers is going to include recruiting, higher turnover, more supervisory work, additional administrative burden and, most likely, an impact to the service you provide to your customers. Your best customers and employees may well go elsewhere.”

Stepped Up Audits by DOL

Another expected byproduct of PPACA is increased auditing for compliance with two forms: the Summary Plan Document (SPD) and the Summary of Benefits and Coverage (SBC).

Wood explained that SPDs have always been required under ERISA for self-insured plans. If the Department of Labor (DOL) investigates and finds violations, criminal penalties are up to $100,000 or 10 years in prison. For fully insured plans, the insurance company issues a certificate of insurance to comply with the SPD requirement.

The Summary of Benefits and Coverage (SBC) is a new requirement as part of PPACA. It applies to fully insured and self-insured employers, and it is a four-page uniform summary required for plan years beginning after September 23, 2012. The insurance carrier or third party administrator (TPA) should provide the form, based on the model form provided by the federal government. Employers are responsible for distributing the forms to employees, with a $1000 penalty for not distributing. This means that if an employer misses 10 employees in the distribution, the fine would be $10,000.

“The Employee Benefits Security Administration, which is under the jurisdiction of the DOL added significant staff in its 2012 budget for compliance audits,” Wood said. “The DOL estimates three out of four plans audited have ERISA violations. Healthcare Reform has many new requirements that require health plan amendments, so employers need to stay on top of their compliance efforts.”

Our technology enhancements also set us apart, as we offer methods to streamline HR functions from enrollment through ongoing employee communication and administration.

Among other awards, Benefit Commerce executives have received national recognition for two years in a row from The Institute for HealthCare Consumerism. For more information on Benefit Commerce Group, visit our website www.benefitcommerce.com.

For more information, contact:
Nancy Zalud
480-515-5010
Nancy@benefitcommerce.com