COWDEN
2016 Celebrating our 20 Year Anniversary

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COWDEN TIMES

Inside This Issue

Cowden News

Cowden Participates in the 2016 Kidney Walk

Cowden was a Silver Sponsor of the 2016 Kidney Walk held at the Pittsburgh Zoo and PPG Aquarium on Sunday, November 6, 2016. Team Cowden consisted of 16 people and raised a total of $2,800 for the event!

Cowden would like to thank all those who generously made a donation and those who came out to support the cause!

Back to Top

Industry News

Proposed Changes to the Form 5500: What Does This Mean for Your Annual Plan Filing?

By: Lori M. Polizzano, GBA, Analyst

On July 21, 2016, the Department of Labor (DOL), the Internal Revenue Service (IRS), and the Pension Benefit Guaranty Corporation (PBGC) proposed several updates to the Form 5500 Annual Return. Beginning with plan year 2019, the proposed revisions are expected to improve efficiency, accuracy, and transparency in the employee benefit plan market and focus primarily on group health plans.

The Form 5500 Annual Return is the primary source of information pertaining to the operations, funding, assets, and investments of the pension and employee benefit plans. The Annual Return is also an important compliance and research tool for the DOL, IRS, and PBGC.

So why change something that does not seem to be broken? The answer is relatively simple – the forms have not been updated for years. As such, the various entities have several objectives in mind in proposing updates to the outdated filing requirements, including:

- *Expansion and modernization of financial and investment information:* The proposed updates focus on improved reporting regarding alternative investments, assets, and investments. The proposed revisions outline increased ongoing monitoring of benefit plans by employers, plan fiduciaries, participants, and beneficiaries.
- *Elimination of obsolete exemptions for certain plans from Form 5500 reporting:* The current forms are outdated and have not kept pace with an ever changing benefits environment. As such, new rules need to be established.
- *Incorporation of new reporting requirements for group health plans and health insurance issuers in both group and individual markets*: A new form, Schedule J, will collect group health plan information concerning group health plan operations, Employee Retirement Income Security Act (ERISA) compliance, and the Affordable Care Act (ACA). All ERISA covered plans that provide health benefits, regardless of size, must complete the new Schedule. It is anticipated that employers should be able to provide the information easily due to prior ACA reporting requirements.
- *Modernization of data collection and usability*: The Form 5500 will be structured in a manner that should make it easier to compile data for analytic purposes, thus allowing the Government Agencies to be able to look at all information more clearly and accurately.
- *Improvements with reporting service provider fees and expense information*: The proposed update is intended to provide a tool for evaluation of

investments, recordkeeping, and other administrative services. The improvements in recordkeeping may cause more work for the employer, yet the additional information could prove useful in the future for resolving any upcoming plan issues.

- *Improvements with employee benefit plan compliance:* The proposed enhancement for compliance with ERISA is intended to question plan operations, provider relationships, and financial management of plans. The questions will allow plan fiduciaries to better evaluate ERISA compliance, thus avoiding potential penalties.
- *Elimination of Schedule I*: Applies only to small plans that are not eligible to file Form 5500-SF and instead requires plans to complete Schedule H. This schedule will report household employment taxes, if employees were paid cash wages and the wages were subject to Social Security, Medicare, FUTA taxes, or if you withheld federal income tax.

All employers, large or small, that sponsor a group health plan will need to take action. Employers should review the proposed updates and consider how the changes will affect their company, including the additional information one would need to obtain, report, and disclose for plan year 2019. Once the new requirements are in place, gathering the correct data will likely be timely, difficult, and costly to obtain. Plan sponsors should be mindful of inflation to the civil penalties applicable to the Form 5500 failures that became effective August 1, 2016. Some form changes may come earlier than later, depending on the public comments and developments in the procurement process.

The Agencies did accept comments from the public regarding the 5500 Annual Return proposed changes. The public still has the opportunity to submit comments on the proposed changes to the DOL electronically or by paper. An extension to the comment deadline has been granted until December 6, 2016. The firm outcome may not be released for six to twelve months after comments are closed. With that being said, companies should be thinking about the additional costs and time that will be involved in the preparation of the 2020 filings.

Resources:

https://www.dol.gov/newsroom/releases/ebsa/ebsa20160711

https://www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/fact-sheets/fs-proposal-to-modernize-and-improve-the-form-5500-filed-by-employee-benefit-plans.pdf

https://www.federalregister.gov/documents/2016/07/21/2016-14893/proposed-revision-of-annual-information-returnreports

https://s3.amazonaws.com/public-inspection.federalregister.gov/2016-14893.pdf

Back to Top

IRS 2017 Annual Benefit Plan Limits

You can compare Contribution and Benefit Limits, Compensation Amounts, Small Employer Health Insurance Credit Average Wage Phase-Out, Social Security/Medicare, and Health Plan Limits with our IRS 2017 Annual Benefit Plan Amounts table.

Back to Top

Webinars

2016 Election Results and the Impact on Health and Welfare Benefit Plans

Featuring: Janet Trautwein, NAHU Executive Vice President & CEO

The votes are tabulated and the results are in. What do they mean for our benefit plan issues? Join Janet Trautwein, Executive Vice President & CEO of the National Association of Health Underwriters (NAHU), for an analysis of the election results.

- What will the new Congress look like and what does that mean for health plan legislative goals?
- How does NAHU approach the transition to the new Congress and presidency?
- What steps can be taken to develop and pursue legislative objectives in your state?
- What should we watch for during the lame duck session?

Join us for this informative 60-minute webinar on our changing political landscape and what it means for health and welfare plans.

Please note that a slide deck of the presentation will not be available prior to, nor after the webinar.

PRESENTER

Janet Trautwein is the Executive Vice President and CEO of the National Association of Health Underwriters (NAHU) in Arlington, Virginia. NAHU represents more than 100,000 employee benefits professionals involved in the design, sale, implementation and management of health plans all over the United States. Her responsibilities include oversight of all NAHU activities and primary representation of the association to the media, government agencies and elected officials at all levels. Prior to becoming the CEO of NAHU in 2005, Janet served for many years as the head of NAHU’s government affairs department, working with members of Congress, senior government officials, governors, and state legislators, and directing the government and political affairs of the organization. A frequent speaker on health policy issues, Janet is considered an expert in health insurance markets and health plans of all sizes and frequently testifies before Congress on these issues. Her expertise on issues related to the uninsured, health insurance pools, risk and reinsurance pooling, health related tax issues, and both national and global health reform has been recognized throughout the industry.

Starts: Tuesday, November 29, 2016 at 4:00 p.m.

Time Zone: Eastern Standard Time

Cost Factor: Originally $50; Free access code can be obtained by contacting Kathy Colbert, Cowden Associates, Inc., Marketing and Communications Coordinator via email: kathyc@cowdenassociates.com, or by telephone: 412-208-0482

Back to Top

Meet Our Team

Our team consists of 28 employees; in each newsletter we take time to highlight some of our employees. To see our leadership team click here; to see all employees please click here.

Lori Polizzano
Analyst

Why I Enjoy My Job: I am able to use my skills and knowledge and push myself in areas that I am unsure of.

Something Interesting About Me: I binge watch Netflix TV shows.

Margaret Lacek
Consultant and Actuary

Why I Enjoy My Job: I enjoy my job because I get to interact with kind, conscientious, well-informed colleagues in a flexible workplace environment.

Something Interesting About Me: I have been team-teaching 7^{th} grade religious education at my parish with my husband for over 10 years.

Nathan Hoellman
Analyst

Why I Enjoy My Job: I am able to build relationships with clients to better understand their needs and challenges from a large scale perspective.

Something Interesting About Me: I once went skydiving.

Back to Top

About Cowden

Cowden Associates, Inc. (Cowden) is recognized as a leading independent compensation, health and benefits, and retirement consulting firm regionally, nationally, and internationally. Cowden was established in 1996, bringing together seasoned professionals to provide client-focused advice designed to produce superior and measurable results to businesses, regardless of size or industry.

Client industries include: financial institutions, governmental entities, healthcare, manufacturing, not-for-profit, school districts, and Taft-Hartley.

Cowden’s exceptional interactive approach is what sets us apart from similar consulting firms. To deliver a tailored resolution to your specific needs, we first identify the overall attributes exclusive to your organization. We build an understanding of your organization by asking questions, observing, and listening. In this manner you are not merely receiving a pre-fabricated answer, but rather a unique solution for your circumstances.

Back to Top

What's Dinkin Thinkin?

Elliot Dinkin is equally comfortable whether he is in a courtroom providing testimony or in a CFO's office providing strategic counsel. The 25-year plus veteran of the actuarial, compensation, and employee benefits field continues to make his mark.

Today, as President and CEO at Cowden Associates, Inc., Elliot provides leadership to position the company at the forefront of the industry. You can learn more about changes in actuarial, benefits, management, and compensation policies from his blog, "What's Dinkin Thinkin?" or on Twitter, @ElliotDofCowden.

Back to Top

Post-Election Healthcare Issues Facing Employers

I wish I had a $1 for every time I have been asked – since Late Tuesday evening, November 8, 2016 – What will happen with Obamacare? – not just for the public market place but for employers?

Even before the elections there were issues:

- Public market place problems – A government report from the Department of Health and Human Services (HHS) found that, on average, premiums will rise 25 percent; 83 insurers will stop offering plans through the marketplace next year while only 16 insurers will enter; 21 percent of enrollees will only have one insurer to choose from. In addition, the Children's Health Insurance Program (CHIP) comes up for reauthorization in 2017. Elimination of CHIP could potentially leave millions of children without coverage.
- Employer struggles continue – 2017 will bring even more plan design changes, cost shifting, FLSA and pay-equity matters, etc.

Clearly there will be changes made to Obamacare that range from complete repeal to replace and/or modify. The trickle down impact to employers will be significant and employer cost concerns and external marketplace stability will continue to be at the forefront of concerns. The repeal of Obamacare may also lead to the end of the public market option, which employers looked to as a suitable option for Pre-Medicare retirees and even active employees. Keep in mind: A total repeal of Obamacare will not solve any of the inherent cost issues in today's marketplace, as Obamacare did nothing to control and contain employer costs.

What can be learned from Medicare?

The Medicare Advantage (MA) markets experienced health plan exits in the late 1990s and early 2000s. Between 1998 and 2002, close to 50 percent of MA plans cancelled their contracts, causing between 300,000 and 1,000,000 Medicare beneficiaries annually to lose their private plans. Most were in rural areas. At the time, the exiting insurance companies explained that they just weren’t making enough money in the MA market for it to be a viable line of business for them. Sound familiar?? What was the reaction?

- **Fund more from the Government** – The MA program was created by policymakers who wanted a *market-based* alternative to traditional Medicare and were heavily invested in its success. When that market showed signs of instability, Congress increased payments to MA plans so they were approximately 10 percent higher than local fee-for-service costs, resulting in many insurers to re-enter markets they had departed and brought new companies into the program.

- **Create fallback** *public option* ***plan*** – When plans left MA, beneficiaries could move back into traditional Medicare (a public option). But when the government under a Republican White House and Republican Congress, enacted the Medicare prescription drug benefit (Part D), they wanted to ensure that no beneficiary would lose access to coverage if a private insurer exited the market. So the Part D program includes a public fallback plan, to be set up in areas that lack private plan choices.

- **Risk mitigation was made permanent** – When Congress established Medicare Part D it included three permanent risk mitigation programs. Congress was aware that they were creating a new market for insurance plans that covered only a drug benefit and sought to encourage insurers to participate and stay in the program for the long haul. These programs have, on balance, kept the market—and prices—stable. In fact, risk corridors have resulted in payments coming back to the government.

- **Conducting aggressive enrollment outreach** – In launching the Medicare Part D program, the Bush Administration initiated a nationwide publicity campaign that included mass media advertising, public events, and a

> Medicare bus tour. The federal government also supports State Health Insurance Assistance Programs (SHIPs) that counsel Medicare beneficiaries on their MA and Part D options.

Clearly there is no way for Congress to *overpay* health plans as they do in MA. Certainly, Congress could increase subsidies to defray the cost of marketplace plans for consumers. This would increase enrollment and retention, including among those who are relatively healthy. And this, in turn, would encourage more insurers to participate in the marketplaces. This is a cost that would have to be funded from somewhere. Clearly, reinstating the sun-setting of the reinsurance program, cited as a key driver of premium rate hikes in 2017, could be considered – even at a state level. This has worked in Alaska, which actually caused premium rates to increase by approximately 7.0% in 2017. Currently the funds for the ACA reinsurance program come from an assessment on all health plans, including group and self-funded plans, an approach that spreads risk to a larger risk pool. Employers will certainly object to continuation of this program.

From an employer's perspective, stabilizing the public option would hopefully translate into a better marketplace for them to operate and have the potential to keep additional risk adjustments out of the employer pools. Until costs are taken out of the system in some fashion, employers will be faced with the on-going dilemma of options for their employees being curtailed, and the instability of the public market options.

Employers then will be faced with moving away from a defined benefit approach to other alternatives involving forms of defined contribution approaches. Also, given the changing makeup of today's employees, developing innovative options to achieve various objectives will become even a greater challenge than before the implementation of Obamacare. Planning for a longer-term strategy now and not waiting for the fallout of the election will assist in creating more cost stability and an environment focused on attracting, retaining, and motivating employees.

Please share your thoughts!

Back to Top

How Are We Doing?

Please let us know how we're doing by submitting a Cowden Gram!

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Back to Top