Managing Healthcare Costs in an Era of Reform

By Steven P. Bortnick, CPA, Bederson LLP

Quite often, our advice for clients emanates from our own experiences as business owners and employers. Discussions regarding the Affordable Care Act (ACA) invariably start with the client asking what our firm is experiencing or how other clients of a similar size are dealing with the issues. The short answer is, like every other employer, "We're exploring options." Historically, content to renew our longstanding, fully insured plan that allows us to offer participants a choice of between three plans of different benefit levels, our firm's agent has recently presented us with a range of options that includes a self-insured plan, a private exchange platform, as well as wide-ranging benefit variations on our existing program.

PART-TIME OPTION

An intriguing issue to consider is that public accounting firms can successfully utilize the services of permanent part-time professionals; a good candidate is a parent whose child has grown and is returning to the workforce who has strong prior experience and existing client relationships, but is not looking for a full week's schedule. This type of arrangement allows for continuity of staff and client engagement. It also allows for creative employment opportunities, seemingly resulting in a win-win. However, an expanded workforce can mandate the more stringent compliance issues of a large group, currently defined as 100 full-time equivalent employees (FTEs), and defined as 50 FTEs effective in 2016.

THE IMPACT OF BUSY-SEASON HOURS

Like many other accounting firms, we have a long history of client service and committing whatever resources are necessary to complete the engagement, which usually translates to long hours, sometimes in a very concentrated period. Will this type of commitment to client services distort the realty of FTE calculations at the end of each year and produce the unintended consequence of needing to micromanage staff hours in order to avoid large group status? Actually, this seems an unlikely concern for small to regional firms as most probably already offer healthcare as a benefit. In a competitive employment environment, healthcare benefits play a key role in the employment package.

SELF-INSURANCE

The benefits of a self-insured plan seem to be various and significant. As long as the program provides the basic state coverage mandates, the employer may save money by creating plan options that exclude some of the state-mandated benefits. New Jersey has a significant number of mandated benefits – more than most states – and these benefits add to the cost of all fully insured programs.

While the firm is responsible for paying the participants' claims, the self-insured program would still include paying premiums to an insurance carrier for a stop-loss policy to cap the total potential cost, as well as providing access to a network of hospitals and physicians. The program also includes additional monthly fees for administrative services to manage the processing and payment of claims. By self-insuring, the firm could possibly save money if the participants' claims are less than expected.

Additionally, many of the ACA taxes and fees currently imposed on fully insured programs do not apply to self-insured programs. Furthermore, those ACA taxes and fees that do apply to self-insured plans are scheduled to sunset in the next few years.

A self-insured program's design flexibility could allow for the inclusion of an employee wellness program, which hopefully results in less claim utilization. Under the current fully insured program, given the size of the firm, plan costs and rates are not based on utilization, but rather are community rated. Working to improve wellness under the current program could improve morale but would never positively impact the firm's plan costs.

The difficulties with a self-insurance program seem to be the potential for drastic fluctuations in the monthly dollar amounts needed to satisfy participant claims and the effects on the firm's cash flows. The size of the group determines if an existing fully insured plan is community rated or experience rated. Under a self-insured program, renewal of the stop-loss policy is specifically experience rated; therefore, heavy usage could create an untenable increase in the stop-loss policy in subsequent years unless mitigated by the newfound ability to negotiate with many other companies to provide the coverage.

The changing landscape created by the ACA requires significant time commitments to explore and learn about new options and the pitfalls of increased compliance issues. However, based on the possible magnitude of costs and penalties, that commitment is time well spent. ◄

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