Surviving Obamacare

By Joseph Appelbaum

With a Proactive Mindset, Nonprofits Need Not "Fear the Reaper"

Nonprofit executives of a certain age will remember the rock hit, "Don't Fear the Reaper." When it comes to surviving the Patient Protection and Affordable Care Act (PPACA)—better known as Obamacare—there is no reason for nonprofits to fear the new law and its requirements. But to ensure management peace of mind and employee satisfaction, it's going to take some timely planning, a proactive mindset, and close attention to the PPACA's reporting requirements.

Biggest Pitfalls

By far the biggest impact of Obamacare on nonprofit health plans is the new provision for age-based rates. Now people are charged differently according to age; the younger you are, the less you pay. For example, a 23-year-old might be charged $275 per month while a 63-year-old is charged $825. Premiums for spouses and dependents are also age-based. Fortunately, certain carriers are now offering small group policies with composite rates in both the single and dependent categories.

Another potential stumbling block for nonprofits is a shorter employee waiting period to become eligible for healthcare benefits. Your organization can be fined if the waiting period is longer than 90 days.

In addition, Obamacare dusted off a little enforced, 40-year-old compliance requirement of the 1974 Employee Retirement Income Security Act (ERISA), which is administered by the Employee Benefits Security Administration (EBSA) of the Labor Department. In a nutshell, EBSA will now audit employers to make sure health benefit plans are in compliance with Title I reporting requirements of ERISA. Employers who are not in compliance are subject to heavy fines ranging from $110 per day to $1,000 per day plus, in some cases, civil penalties. Take heed: To step up Title I enforcement, EBSA has added 1,800 new auditors. Fortunately, there are solutions nonprofits can implement to ensure they steer clear of these transgressions.

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Top Survival Tips

What can nonprofits do to minimize Obamacare-related headaches? Here's a quick survival guide:

1. Right now, make sure that your new hire eligibility period is under 90 days following the date of hire. By making the eligibility date the first of the month following 60 days on the job, you will avoid any risk of being fined.

2. Move to a high deductible plan using an employer-sponsored health reimbursement arrangement (HRA) or health savings account (HSA). Not only will this minimize costs, but it will also make employees more accountable and aware of the cost of healthcare.

3. If your organization has fewer than 50 employees, create your own internal composite rate. There are two permissible ways to establish contribution strategies under Obamacare. Either take a percentage of each employee's rate (for example, 80%), regardless of the person's age, or create composite rates (for example, single-person, family) and charge a dollar amount to each category (or a percentage). Live with that composite rate for a year, and then reset it on the next renewal. The key thing to remember is that fixed dollar contributions are no longer allowable in the age-based world of Obamacare.

4. If possible, to simplify administration for your human resources (HR) people and to increase the likelihood of obtaining composite age-based rates from insurance carriers, put all employees in one health plan. If you can get a composite rate from a carrier, it will not change during the year when you hire an older worker (each carrier has different rules).

5. To ensure compliance with Title I of ERISA, your HR department needs to create a Wrap Plan Document/Summary Plan Description for all of your organization's benefit plans. Coupled with proper reporting to your employees, this will ensure that in the event of an audit, or a request from an employee for documents, you will have the needed information at your fingertips.

6. To reduce healthcare risks, mitigate health-related costs, and improve employee productivity over the long term, plan a variety of wellness opportunities in which employees can participate year-round. These could include health classes, health coaching, wellness challenges (such as a team-based "biggest loser" weight loss program), smoking cessation programs, and de-stressing opportunities such as yoga classes.

7. Moving forward, have a three-year strategy regarding your benefits plan that is adjusted quarterly or semi-annually. Instead of being knee-jerk reactive to changing market conditions or claim spikes, set your organization on a clear path and be strategic by planning out what you are going to do over the next several years.

8. To relieve Obamacare-related anxiety, start working with a knowledgeable benefits consultant or broker who will provide you with all the information and facts you need on a timely basis. To stay proactive, set up quarterly meetings with your consultant, advisor, or broker.

Hidden Opportunity?

Nonprofits have traditionally offered extraordinarily generous benefits and few, if any, of the employees really know the true cost. Thanks to the advent of Obamacare, nonprofits now have an opportunity to change how health benefit plans are delivered, viewed, and administered. By restructuring your nonprofit's health plan to a high dollar deductible, coupled with a HRA or HSA along with wellness initiatives that enhance the organizational culture, you can create a level of awareness and accountability and still offer very rich benefits. As employees become more aware consumers of healthcare, they will become allies of management in controlling healthcare costs now and in the future.

Meet the Challenge

Without a doubt, Obamacare implementation presents some daunting challenges for nonprofits when it comes to benefits management. But there is also a huge opportunity associated with the Patient Protection and Affordable Care Act. It's the opportunity to reclaim this high fringe expense and start to exercise better control over it—without necessarily reducing the level of care to employees.

With proper planning and effective employee education, nonprofits can transform employees—from a group that doesn't care about healthcare expenses and drives up renewal costs, into one that is knowledgeable about healthcare costs and has a vested interest in controlling them. And when the total cost of healthcare is under control, more money will be freed up to accomplish the organizational mission.

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