HR Focus

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HR corner

Halloween at work: Fun or frightening?

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Costumes, candy and trick-or-treating ... Halloween is almost here! As children, many of us dressed as our favorite Saturday morning cartoon character or the scariest mythical creature we could think of and went door to door asking for sugary sweets. As adults, many of us still celebrate the holiday by outfitting our house with scary decorations or attending costume parties. Many workplaces get into the spirit with cubical decorating and costume contests. While these activities can be fun and engaging for employees, there are some guidelines that employers should establish to keep celebrations from becoming too "frightening."

Costumes at Work

Allowing employees to wear costumes to work is a fun and easy way to enhance employee camaraderie. However, employers should communicate a strict set of guidelines in advance. Reiterate that any costumes must comply with the company's dress code, plus anti-discrimination and anti-harassment policies. Encourage employees to keep inclusion and diversity in mind when considering their costumes. You may want to provide examples. Costumes should not be too revealing or insensitive to others' beliefs or values, nor should they be impractical and prevent employees from doing their jobs (such as a face mask for an employee required to be on the phone all day or a baggy ensemble for machinists). Employers with specific safety requirements may consider limiting or prohibiting any props that may accompany any costumes as well.

NEWS

Halloween Parties

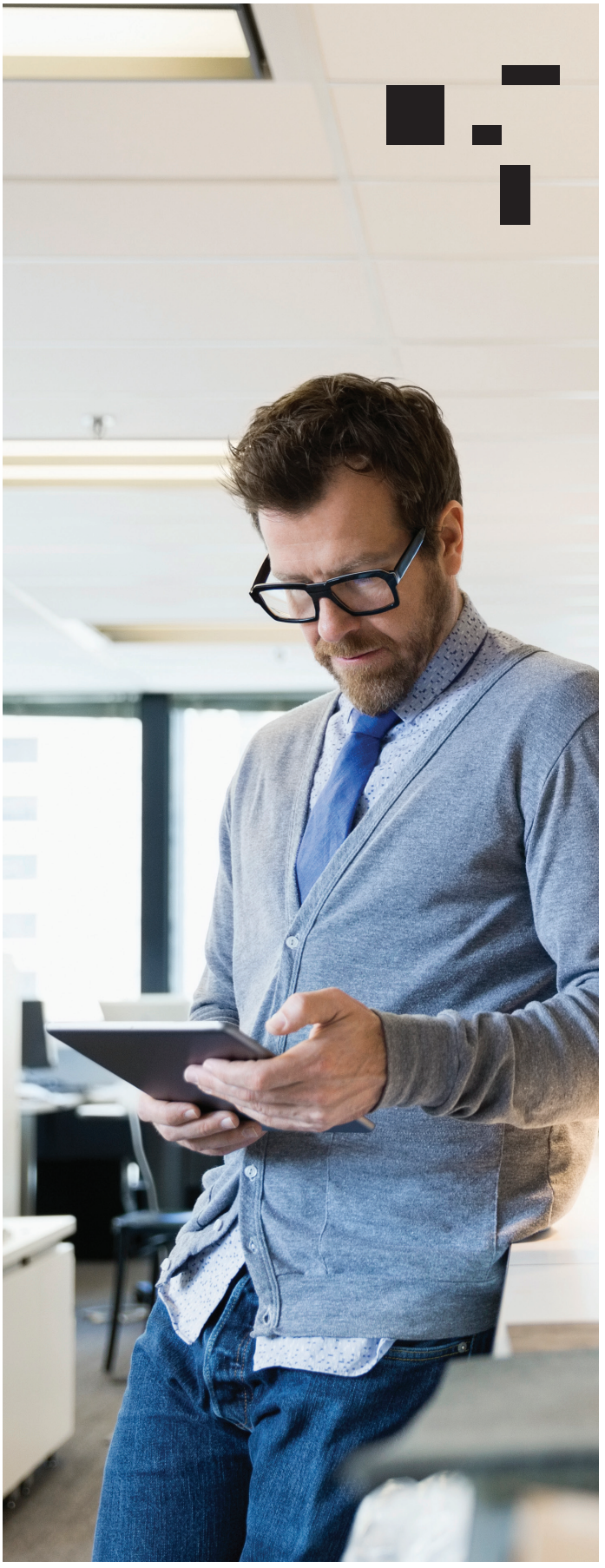
Halloween parties can be a welcome activity for many employees, but they must be well-planned and well-supervised. If you serve alcohol, ensure that your company's drug/alcohol and anti-harassment policies extend to these events and are strictly enforced. We have all heard horror stories of office parties gone awry due to the overconsumption of alcohol — make sure yours is not one of them. Ask for sober volunteers to monitor employees' alcohol consumption and ensure you have a designated driver on hand. Ensure that all of these precautions are communicated to employees in advance so they are not caught off-guard at the party. Hiring a professional bartender who is trained to not overserve is a smart choice as well. Remember that costume guidelines apply here, too!

Discrimination Concerns

Title VII of the Civil Rights Act prohibits employers from discriminating against employees because of their race, color, sex, national origin and religion. Several states have also adopted additional protected classes such as sexual orientation, marital and/or veteran status. Because of this, employers must remain sensitive to their employees' beliefs and as noted above should reiterate any policies they have in place regarding discrimination and harassment.

These guidelines mean that you should not require employees to participate in Halloween activities, nor should you ridicule or alienate an employee who decides not to. Employees may choose not to celebrate Halloween for many reasons, including religious beliefs. Additionally, any costumes that are sexually, racially, politically or religiously insensitive should be prohibited. If an employee is considering a costume that might be "on the edge," encourage them to run their ideas by HR first to avoid any issues.

Halloween celebrations, when done right, can be a morale booster for the "end-of-summer blues" and provide a nice transition to holiday celebrations. Just keep in mind that any initiatives you take should be in line with your organizational goals, values and policies. Halloween can be a fun or frightening time for employers — ensure yours brings out the fun!



Health management

Despite rising costs and uncertainty about health care legislation, employer confidence in offering health benefits reaches pre-ACA levels

Employers expect health care costs to increase by 5.5%* in 2018, up from a 4.6% increase in 2017, according to the 22nd annual Best Practices in Health Care Employer Survey by Willis Towers Watson (NASDAQ: WLTW). In the face of these continued cost pressures, including employee affordability, employers plan to step up cost management strategies over the next three years, including evaluation of emerging health care delivery solutions and improved patient navigation and health engagement.

The survey also showed that despite uncertainty about the future of health care legislation, employer confidence in offering employee health care benefits has reached its highest level since the passage of the Affordable Care Act in 2010. Ninety-two percent of employers said they are "very confident" their organization will continue to sponsor health benefits in five years.

"Cost management of health benefit programs remains the top priority for employers in 2017 and 2018," said Julie Stone, a national health care practice leader at Willis Towers Watson. "While employers made significant progress over the last few years refining their subsidy and vendor/carrier strategies, many are now looking to other aspects of their health benefit programs in order to improve health and dampen future cost increases. Over the next three years, they will seek to improve patient engagement, expand the use of analytics, and efficiently manage pharmacy costs and utilization. Yet, with rising concerns about affordability, employers are challenged to keep costs low without overburdening employees financially."

Employers are pursuing a wider array of approaches to reduce health care cost and risk – both through improved program efficiencies and members' health engagement. These areas of focus will include encouraging patients to use preferred providers for health care delivery, e.g., telemedicine, centers of excellence, and high-performance networks; emphasizing better outcomes and cost savings in high-priority clinical conditions, such as diabetes, musculoskeletal health and mental health; and selecting partners based on their ability to achieve demonstrably improved outcomes, as well as hold the line on cost.

Employers also aim to enhance employee engagement by increasing choice of benefit plans, improving decision support, and offering health wearables and mobile apps.

Other key employer priorities over the next three years include:

Encouraging employees to use preferred health care delivery options:

- **Telemedicine for office visits** – 78% of employers currently use these consultations with another 16% planning to or considering to by 2019.
- **Centers of excellence within health plans** – 44% of employers currently use these centers with another 33% planning to or considering to by 2019.
- **High-performance networks** – 15% of employers currently use such networks with another 36% planning to or considering to by 2019.

Selecting carriers and vendors based on:

- **Competitiveness of negotiated provider discounts:** 94%
- **Competitiveness of vendor's network access:** 94%
- **Competitiveness of vendor's total cost of care:** 92%

Curbing pharmacy costs and utilization:

- **Evaluate pharmacy benefit contract terms** – 62% of employers are currently evaluating contract terms with another 32% planning to or considering to by 2019.
- **Adopt new coverage or utilization restrictions as part of specialty pharmacy strategy** – 60% of employers recently adopted these restrictions with another 24% planning to or considering to by 2019.
- **Address specialty drug costs and utilization performance through medical benefits** – 44% of employers currently do this with another 38% planning to or considering to by 2019.

Elevating employee health engagement through expanded choice and a more personalized experience:

- **Add choice in benefit types by offering voluntary benefits** – 66% of employers currently use this tactic with another 20% planning to or considering to by 2019.
- **Create a virtual shopping experience at the time of enrollment** – 24% of employers currently do this with another 26% planning to or considering to by 2019.
- **Provide decision-support tools for health navigation** – 55% of employers currently offer such tools with another 26% considering to for 2019.
- **Encourage the use of mobile apps for condition management or health risk reduction** – 19% of employers currently provide this to their employees with another 28% planning to or considering to by 2019.
- **Promote wearable devices for tracking physical activity** – 26% of employers currently promote these to their employees with another 18% planning to or considering to by 2019.

"Employers understand that there is no single strategy for success when it comes to health care, and it is critical to engage employees through education and communication that will create a win/win," said Catherine O'Neill, a senior health care consultant at Willis Towers Watson. "The most effective health programs will include a broad range of strategies that encompass employee and dependent participation, program design and subsidy levels, and plan efficiency. The ultimate goal is to offer a high-value plan that manages costs for both employers and employees while also improving health outcomes."

* Cost increases for 2017 and 2018 are after-plan changes; increases without plan changes are 6.0% for both 2017 and 2018. Cost trends are based on projected medical and drug claims for active employees, including both employer and employee contributions but excluding employee out-of-pocket costs

Legal and compliance

Transitional reinsurance fee payment due by November 15

The transitional reinsurance fee (TRF) is one of several fees implemented under the Patient Protection and Affordable Care Act (ACA). The TRF was established to stabilize premiums and mitigate the impact of potential adverse selection in the individual and small group markets.

The premium stabilization program was in operation for only a three-year period — from 2014 through 2016 — and calendar year 2016 was the last year for which the TRF was required. However, the TRF could be paid in one payment or in two separate payments. For those employers who elected to pay the TRF in two separate payments, the second remittance is due by November 15, 2017.

The enrollment count for 2016, used to calculate the reinsurance fee, was due by November 15, 2016. The reinsurance contribution rate for 2016 was $27.00 (approximately $2.25/month) per enrolled individual, including dependents. The Department of Health and Human Services (HHS) offered employers with self-insured plans the option to pay: (1) the entire 2016 benefit year contribution in one payment no later than January 17, 2017 reflecting $27.00 per covered life; or (2) in two separate payments for the 2016 benefit year, with the first remittance due by January 17, 2017 reflecting $21.60 per covered life, and the second remittance due by November 15, 2017 reflecting $5.40 per covered life.

Employers with self-insured plans scheduled the second remittance when they submitted their 2016 enrollment counts. The payment must be made using an Automated Clearing House (ACH) debit on Pay.gov. In addition to confirming that there are sufficient funds in their bank account to pay the TRF, employers will want to be sure that the automatic ACH debit will not be blocked by the bank. To remove the ACH Debit Block, the employer will need to add Agency Location Code (ALC+2 value) 7505008016 (USDEPTHHSCMS) to its list of approved companies for ACH automatic debits.

Since you asked

How much is the Individual Mandate Penalty Tax?

The Internal Revenue Service (IRS) recently issued an information letter addressing compliance with the individual shared responsibility mandate provision of the Patient Protection and Affordable Care Act (ACA). In information letter 2017-0017, the IRS stated that President Trump's Executive Order Minimizing the Economic Burden of the ACA dated January 20, 2017 (the Executive Order) does not change existing law and that taxpayers are required to follow the law, including the requirement to have minimum essential coverage for each month, qualify for a coverage exemption for the month, or make an individual mandate penalty payment. The current IRS position is that until existing law is changed by Congress, taxpayers must continue to comply with this requirement. As a result, individuals should continue to comply with the individual mandate until there is relief from new legislation by Congress or the IRS in future guidance.

Under the ACA, individuals are required to have health coverage or pay a tax penalty. This "individual mandate," which became effective in 2014, does not apply to those who have minimum essential coverage (which would include coverage under most government-sponsored programs, an eligible employer-sponsored plan or a grandfathered plan) for themselves and their dependents. While some individuals are exempt (information about available exemptions is available on the Internal Revenue Service's website), most who do not have coverage will pay a penalty tax for each month of noncompliance. They will owe 1/12th of the annual penalty amount for each month they or their dependents do not have coverage or are not eligible for an exemption.

So, how much is the penalty tax? The penalty tax is calculated as the *greater* of either the "percentage of applicable income amount" or the "flat dollar amount." The greater of these two amounts is then divided by 12 to determine the penalty that is due for each month that the penalty applies.

- **A percentage of the "applicable income."** Applicable income is defined as the amount by which household income exceeds the applicable filing threshold for the applicable tax year. The filing threshold comprises the personal exemption amount (doubled for those married filing jointly) plus the standard deduction amount. For 2017, the standard deduction is $6,350 (single) and $12,700 (married filing jointly) and the personal exemption is $4,050, so that generally, the filing thresholds for individuals under age 65 in 2017 would be $10,400 for a single filing status and $20,800 for a married couple filing jointly.

  The percentage of the applicable income amount is determined by subtracting the taxpayer's exemption (or exemptions for married couples) and standard deductions from the taxpayer's household income. The difference is then multiplied by the applicable percentage. For 2017 the percentage is 2.5%.
- **A flat dollar amount assessed on each individual.** The annual individual flat dollar amount is $695 in 2017 (while subject to inflation adjustment starting in 2017, the IRS confirmed there was no change from 2016), assessed for each taxpayer and any dependents. The individual amount is reduced by one-half ($347.50 for 2017) for dependents under the age of 18. The total penalty is capped at 300% of the individual amount if married, filing jointly ($2,085 for 2017).

The maximum penalty tax is the national average premium for a bronze option (i.e., the insurance plan pays, on average, 60% of the costs of covered benefits) in the public exchanges (also known as the Health Insurance Marketplace). The IRS has announced that for 2017, the maximum monthly national average premium for a bronze level health plan is $272 per person ($3,264 annually per individual) and $1,360 for a family with five or more members ($16,320 annually for a family with five or more members).

Taxpayers will pay the penalty when they file their 2017 federal income tax returns in 2018. Note that individuals failing to pay the penalty will not be subject to any criminal prosecution or penalty for such failure and the IRS cannot file notice of lien or file a levy on any property for a taxpayer who does not pay. The IRS can attempt to collect any owed penalties by reducing the amount of any tax refund, current or future, the individual is due. The IRS has information about how to calculate the penalty, including examples, available on its website.

For more information, contact your local Willis Towers Watson office.

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