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Keep Informed



Welcoming the New Year!

The Diversified Group Team would like to thank you for your business, and we hope you had a very Happy Holiday season!

Reflecting on 2014, we can honestly say it was a challenging, but rewarding, year. Health Care Reform, preserving the benefits of self-funded plans and the cost of health care continue to be our focus. As an independent, family-owned Third Party Administrator without the burdens and conflicts inherent with publicly traded firms, we are able to truly do what is best for our clients.

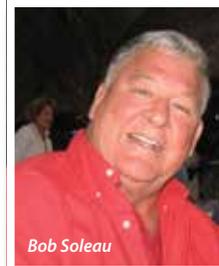
For example, many of our clients are now taking advantage of this independence with some of our new services, such as Cost Plus, and are actually seeing the cost of their group health plans hold level and even decrease. If that's not different, then we don't know what is! Services like this have allowed these companies to decrease or make no changes to employee contributions and make no changes to their plan designs.

Moving forward in 2015, Diversified Group is committed to relentlessly pursuing the following:

- Continue to find ways to control costs and improve benefits for your employees
- Continue to be on the cutting edge with new product offerings
- Improve technology and transparency for our clients/broker partners
- Continue to offer world class service to our clients/broker partners
- Continue to grow as individuals and as a business so we can better serve our clients/broker partners

- Work on behalf of our clients with state and federal legislators to preserve the benefits of self-funded plans
- Educate the marketplace on the difference between a carrier-based ASO arrangement and an independently-owned TPA

We would also like to say "Thank You" to our team members here at Diversified Group. Your hard work, loyalty and dedication are truly appreciated. We are excited about 2015 and the challenges that we will face and conquer together.



Bob Soleau

This is a good time of year to reflect on what we are thankful for. In the hustle and bustle of everyday work and family life, it is often easy to focus on life's trials and tribulations; but there is good in all of it... if you look. The Diversified family (internally

and externally) certainly faced a tough loss this summer with the passing of a legend – our founder Bob Soleau. For those of you who were lucky enough to meet Bob, you understand what we mean when we call him a legend. But in that loss we are thankful for so much, especially for the time we shared together and what we learned with Bob. Bob was "larger than life" and loved to laugh. Bob used to say "You can tell a lot about a person by how they laugh," and we could not agree more. We will be forever thankful for his leadership and vision for Diversified and the self-funded community. His vision, passion and creativity will always live on here at Diversified.

Dan, Brooks and Charlie



Are Members Getting Enough Information?

With enrollment season upon us, HR and benefits managers are being challenged to help employees understand their health care benefits under the Affordable Care Act. Data from a December, 2013 survey conducted online by Harris Poll, indicates that employees need and want more information about all of their benefits.

Reversing an upward ratings trend dating back to 2009, only 33% of the employees asked to review benefits in the prior year rated the benefits information they received as excellent or very good. This is a significant drop from the 37% who gave the same rating in the previous year's survey – and a wake-up call for benefits managers, who may be shocked to learn that 27% of employees rated benefits education as fair or poor.

Survey results also indicate sizeable gaps in knowledge relating to supplemental and critical illness insurance, as well as long-term and short-term disability benefits. Benefits managers will want to pay particular attention to these gaps, as the survey showed a direct correlation between good benefits education and workplace satisfaction. 79% of employees who rated their benefits education as "excellent or very good" also rated their employer as "excellent or very good". Look to your professional third party administrator for the communications support you need to help your members understand and appreciate the many benefits of your self-funded health plan.

Protecting Your Medical Identity

According to the Department of Health and Human Services, more than 34 million Americans have been affected by HIPAA-related health care data breaches. Employees must work to actively protect their medical identities, as this data can be used for identity theft, as well as tax and insurance fraud. ID experts provide these tips:

- Protect your insurance card as you would your social security number or credit cards – and notify your insurance company immediately, including the theft as part of any police report filed.
- Never share your insurance with friends or family members as the consequences are more than just legal, and could compromise your medical records – leading to misdiagnosis, prescription mistakes and other inappropriate treatment.
- Create strong passwords for patient portals that you update often to avoid vulnerability to hackers.
- Know where your information is shared by asking for a free copy of this information from your insurance company and medical providers.
- Look for signs of potential concern within your provider's offices – such as medical records sitting open or unattended on desks or unlocked or unattended computer terminals. Don't be afraid to raise a concern.
- Keep all papers and electronic copies of your records in a secure location and shred any outdated medical documents and old prescription labels.
- Never accept an unsolicited offer of free medical care – this is a scam to obtain names and medical insurance information.
- In the event of a data breach, tell the breached organization that you want a service that will also monitor your health identity and provide alerts when potentially fraudulent health insurance activity occurs.
- Never provide medical information to someone who calls or emails you about your "possible involvement in a recent data breach" – these are scammers 'phishing' for information in order to steal your identity.
- Place fraud alerts with the three major credit bureaus that entitle you to free credit reports. Review these for medical collection notices.



Trends Latest Happenings in Today's World

New Cancer Therapies

While new 'breakthrough' cancer treatments that genetically modify patient's blood cells to target disease are showing amazing results, there are still major hurdles to cross with regard to mass replication and price. In two separate experimental trials using CAR T-cell therapies to address acute lymphoblastic leukemia – the most common childhood cancer –

almost 90% of patients saw their leukemia disappear. While questions about potential side effects and the duration of these results persist, the outcomes are exciting. The big hurdle is that CAR therapies are so highly personalized, they can cost more than \$500,000 per patient. Companies like Pfizer are attempting to take these therapies to the next level, where they can become more

standardized, highly controlled treatments, but push back will increase if the exorbitant prices continue.

Voluntary Benefits Address Generational Needs

No longer a 'nice extra' in a comprehensive package, voluntary benefits have gained acceptance by increasing customization and contributing to employee well being. As today's

Health Care Reform Update

Moving Toward Full Implementation



IRS Still Looking at Skinny Plans



As employers struggle with how to satisfy the ACA health care coverage requirements, without incurring the considerable expense of offering full coverage, more and more organizations have been considering 'skinny' plans. These types of plans provide coverage for some medical services, but exclude coverage for things like inpatient hospital services and, possibly, some physician services.

Employers considering these plans recently received bad news, as the Internal Revenue Service announced it will act to eliminate employer-

sponsored health plans that fail to cover inpatient hospitalization. The IRS gives the following reasoning for their position – “a plan that fails to provide substantial coverage for these services would fail to offer fundamental benefits that are nearly universally covered, and historically have been considered integral to coverage, under typical employer-sponsored group health plans.” Unless challengers to the latest announcement are successful, companies that have skinny plans in place may see their plans shut down in the coming year.

If it becomes law, the proposed regulation will likely allow members of these employer groups who want to obtain more comprehensive coverage from a public health exchange to qualify for a subsidy. It also puts the employer at risk of a penalty if the worker chooses to obtain subsidized coverage in an exchange.

Is The New Law Hurting Physician Access?

Dependence on government health care, both Medicare and Medicaid, is growing, but what does this mean for health care? According to a senior fellow at the Hoover Institution, it will mean reduced access to care. There are a number of factors that are driving this position. The first is that, already, a majority of American doctors refuse to treat Medicaid patients, and more than 20% of primary care doctors are refusing to accept new patients with private insurance. We are also facing a projected doctor shortage of 124,000 physicians by 2025, two-thirds of which will be in specialized care – significant to seniors who rely most heavily on specialists. Unfortunately, notes a researcher, fewer doctors are going to want to enter the profession due to cuts, noting that the Medicare Payment Advisory Commission has recommended cuts to specialists that, after adjusting for inflation, will amount to a 50% drop in payments after a decade. In addition, insurance plans are limiting access to those doctors that are available in order to keep premium costs down. Estimates show that 68% of ACA-compliant insurance plans provide enrollees with access to narrow or “very narrow” networks, and many of America’s best cancer care centers are not included in state exchange plans.

Will the 30-Hour Requirement Increase to 40?

Many small business owners are hoping that a new Republican Congress will move the definition of a full-time work week up to 40 hours, thus eliminating the requirement that they provide health insurance coverage to 30 hour a week employees or face stiff penalties. Under the current definition, many small businesses may be forced to reduce weekly hours for a large number of their employees in order to avoid the significant cost of providing additional health care coverage. Earlier in 2014, the GOP-controlled House of Representatives backed raising what qualifies as a full-time work week to 40 hours, though President Obama threatened to veto the change. House Speaker John Boehner has said that the 40 hour definition remains one of his top agenda items for the new Congress.

workforce spans multiple generations, voluntary benefits can meet individual needs and interests. Baby Boomers (1946-1964) want things like discount programs, financial counseling and long-term care, while Generation X (1965-1979) employees want wellness and employee purchase programs and child care. Millennials (1980-2000) seek tuition assistance, employee assistance and ID theft protection.

While many voluntary offerings have broad appeal, employers should recognize that varied offerings can help retain a loyal, motivated workforce.

Expanding Waistlines

If your waistline is bigger than it should be, chances are you’re at greater risk for illnesses such as heart disease and diabetes. Research from the Centers for Disease Control and Prevention pub-

lished in the Journal of the American Medical Association found that 54.2% of Americans in 2012 had so-called ‘abdominal obesity’, defined as a waistline of more than 40 inches in men and more than 35 inches in women. That’s up from 46.4% in 1999-2000. Sleep deprivation and chemicals that may interfere with the body’s endocrine system are indicated in the report as some of the reasons for the increase.



Keeping an Eye on the Cadillac Tax



While the ACA's excise tax, scheduled to become effective in 2018, may seem like a soft cloud in the distant horizon, some employers have targeted 2015 as the time to look for ways to avoid the tax imposed on high value health plans.

Understanding the Tax

Beginning in 2018, health plans with values exceeding a threshold of \$10,200 for individuals and \$27,500 for families, will be hit with a 40% tax on the amount exceeding the thresholds. Since the tax will be based on the value of all coverage an employee may have, including dental, vision, FSA contributions and employer HSA contributions in addition to health care, the thresholds could be within reach for a great number of people.

While the tax is technically on employer-sponsored plans, it will impact employees if their employer looks for ways to pass it along. If the employer lowers the value of their health plan by reducing benefits, a boost in compensation would be the only way to offset the loss. Even if pay increases, higher taxes will likely diminish the impact, with the employee still feeling some pain.

As an example, if a plan is self-funded and a member has overall family coverage valued at \$30,000, the employer would owe a Cadillac tax of \$1,000 (40% of \$2,500 – the amount exceeding the family threshold of \$27,500).

HSA's to the Rescue

Because the tax applies to the total value of coverage, regardless of the amount the employer pays, the only safe approach seems to be offering lower cost plans. Many are looking at high deductible health plans with HSAs as a viable option because the higher deductible lowers the value of the plan and participants are generally able to contribute to an HSA. With a maximum annual contribution of \$6,550 and a catch-up provision for those 55 or older, HSAs can provide a very attractive, tax advantaged way to save for future health-related expenses.

As long as funds deposited into an HSA pay for qualifying expenses, they can be used at any time, including in retirement. Another thing to note is that a high deductible health plan option with an HSA does not have to be the only plan offered. More generous plans can be made available, as long as any Cadillac tax that may apply is built into the overall cost of the plan.

With the Cadillac tax just a few years away, this may be a good time to review your plan designs and discuss a strategy that everyone can afford to drive – today and down the road.

Please Contact Us: This newsletter is not intended as a substitute for personal medical or employee benefits advice. Please consult your physician before making decisions that may impact your personal health. Talk to your benefits administrator before implementing strategies that may impact your organization's employee benefit objectives.

Did You Know? New Ideas for Healthy Consumers

Don't Hold a Meeting – Walk a Meeting

What do many CEOs and Silicon Valley business leaders know that you may not? By frequently taking meetings "on foot", they tap into the creative power of movement. A recent Stanford study found that individuals are more creative while on their feet, even walking for as little as five minutes. Statistics show that even standing for a portion of the workday can cut down on health risks related to prolonged sitting. Some companies are taking this one step further, encouraging workers to climb a 22-foot-high

climbing wall to get to an open working lounge. While not for everyone, the space has inspired a number of workers to do push-ups and hit the climbing wall between coding sessions. Less extreme ideas that improve productivity, and can be incorporated by any business, include stand-up meetings and gathering out of doors, as well the adoption of desks that can easily go from sitting to standing height.

