

Managing health care reform

How to prepare for the future in the midst of uncertainty **Interviewed by Kristen Hampshire**

The only sure thing with health care reform is that things are changing. No one is sure how, exactly, those changes will play out as current reform legislation is reviewed in the Supreme Court, or what will happen following the presidential election.

That uncertainty makes planning for the significant and steadily escalating cost of health care a real challenge for businesses. As costs increase, how can employers continue to provide benefits that attract and retain quality workers while managing their expenses?

“One of the things that employers should be doing now is reviewing their health care costs to begin to identify ways to control their costs, regardless of what happens with health care reform,” says Ron Present, principal, health care advisory services, Brown Smith Wallace, St. Louis, Mo.

Smart Business spoke with Present about what employers should know about the current state of health care reform and how they can begin to prepare for the future.

What are employers' greatest concerns surrounding health care reform?

The biggest fear is that their health care costs will increase significantly, and that is a valid fear. Then there is the question of how to manage expenses while continuing to offer quality benefits to employees. In today's market, companies must begin to view health care as more than just an employee benefit — it's a recruiting and retention tool that provides companies with a competitive advantage.

Employers must look at benefits from a strategic perspective and consider how they can position their health insurance offering as an incentive. At the same time, they must manage the bottom line, and that won't be easy. In addition, there is widespread confusion about health care benefits in light of the uncertainty in health care reform. In the end, it is the responsibility of — and perhaps opportunity for — employers to clearly communicate to their employees about the company's benefits.

How could the individual mandate affect employers?

The individual mandate is a law requiring that all individuals purchase health care insurance or pay a penalty that will phase in during 2014. The individual mandate, as part of the health care reform legislation, is currently being reviewed by the Supreme Court, and it's a sticky issue.

Is it constitutional to mandate that all citi-



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zens have health insurance? Is it fair to charge a penalty to employers for not offering health care benefits? And because the mandate has been written into the tax code — and the Supreme Court cannot rule on tax code issues unless there has been harm done — will the court be able to rule on the individual mandate before it is set to go into effect in 2014? A key related question is how the upcoming presidential election will impact the legislation.

The health care reform plan could be tossed aside completely, altered or kept fully intact.

What decisions will employers be forced to make regarding health care legislation?

Concerning the individual mandate, employers must determine whether it's more financially prudent and culturally sensible to offer benefits to employees or to pay the penalty for not doing so. A discussion with an experienced tax professional who is well-versed in health care reform legislation can help employers consider the financial impact of this decision and determine the right course of action.

Meanwhile, companies will need to heighten their monitoring of hourly employees because those who work 130 or more hours per month will be automatically eligible for company health care benefits if the current legislation stands. If employers do not abide by this and

exclude those employees, they will pay a steep penalty. This becomes particularly complicated with part-time and shift workers and in situations in which workers are picking up additional shifts, which may push them over 130 hours in a given month. Employers will need to carefully monitor employees time on a real-time basis and manage employees in terms of their monthly/hourly workloads. Currently most systems track data on a pay period basis (weekly, bi-weekly, semi-monthly). Companies will need to ensure they have systems in place to be able to track hours on a monthly basis.

What should business owners be emphasizing in their communications with employees?

According to an ADP HR/Benefits Pulse Survey on Employee Benefit Tools, 40 percent of employees do not understand their current benefits plan. It is critical to drive home to employees the value of the health care benefits that you offer. Communicate often, and reach out to employees in face-to-face meetings, through e-newsletters, mailers that go home to spouses and dependents, and via the company intranet.

Emphasize the importance of wellness and enforce employee accountability, communicating that the healthier they are, the less they could pay for their monthly health insurance premium. Be proactive by implementing wellness programs including incentives for better nutrition or exercise.

What should employers be doing right now in light of the current uncertainty?

Now is the time to get discerning input on the strategic and cost differentials of offering health insurance versus paying a penalty for not doing so. You should explore ways to reduce cost, without sacrificing benefit and identify systems to put in place that will improve real-time reporting.

The keys to success will be having sound knowledge of the current situation and a strong framework in place before you need to make the upcoming changes and decisions you face as health care reform is implemented. With these two essential procedures under your belt, you will be in a position to make wise strategic decisions for the ongoing health of your business. <<

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