BE THE HERO: PLAN NOW FOR THE CADILLAC TAX

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January 2018 may seem like a long way off, but planning for changes now could make a difference in your clients' health plan benefits strategy.

Beginning then, a 40% excise tax (often called the "Cadillac Tax") will be imposed on health insurance benefit plans that exceed a certain threshold and are considered high-cost, richer-benefit plans. The threshold for individual coverage is $10,200; for family coverage, it is $27,500 (annualized and indexed to inflation). Adjustments are expected for high-risk professions, as well as employers with a disproportionately older employee population. Additional guidance is expected. This is one of the last components to be implemented under PPACA.

What's the purpose of the Cadillac Tax? It addresses three major goals: help finance healthcare reform, reduce overall healthcare costs and deal with the unequal tax benefit of excluding the value of health insurance for taxes, which encourages generous employer-based coverage.

There are several things that are still unclear regarding the Cadillac Tax, but one thing is sure: Rich benefit plans will be taxed. These thresholds may be increased prior to 2018, depending on medical infla-

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tion. IRS guidance is expected regarding the thresholds and adjustments to them.

If you're thinking that 2018 seems an eternity away and why bother planning for the Cadillac Tax anytime soon, consider the fact that we're wrapping up 2014 health plan benefit designs now. By considering the impact of the Cadillac Tax well before the 2018 effective date, you can help your clients lay the groundwork to make changes to benefit plans and avoid the tax to their benefit programs.

A 2013 survey by the International Foundation of Employee Benefit Plans found that 17% of employers have already begun changing their employee benefit plans to circumvent the tax.

One sector that is expected to see a serious impact is collectively bargained groups. Negotiations must take place prior to making changes and multiple-year contracts may be in place. Because the tax applies to both fully insured and self-funded employers, no one escapes the effective date.

What can employers do to prepare for the inevitable? Employers can make a decision now to eliminate high-cost plans. They can add CDHP plans to the mix and eliminate more of the high-cost plans over the next few years. If an employer makes the switch now and contributes to the employee HSA or sets up a HRA, by the time the law takes effect, many employees should have a balance in their Health Savings Account. If rollovers are allowed, there could be a balance in the HRA as well. This will reduce the "sting" of the change and make the higher-deductible plan more palatable.

How does one determine if a plan will be considered high-cost? Take the 2014 plan design premiums and trend by 10% over each of the next four years. That should give you a pretty good idea of where you'll land.

This is another opportunity for benefit advisors to assist clients in determining what to do. Advance planning is critical. No planning may be very costly. HIU

Being Thankful

By Louis P. Reginelli, RHU
NAHU's Membership Council

During the holidays, I am always thankful to be part of the NAHU family. I don't have to tell you how stressful life is. With the chaos of PPACA coupled with commission reductions, agents/brokers are struggling to survive. I am thankful for all the work NAHU does to help members navigate the craziness of healthcare reform.

Our legislative efforts, led by Janet Trautwein and Trei Wild, have kept us up to date with current rules and regulations of PPACA and other legislative issues pertinent to our industry. The commitment and leadership of Janet and Trei have made NAHU a well-respected name on Capitol Hill.

HUPAC, led by Paul Smith, has done a great job of donating money to legislators who understand the value we bring daily to our clients. Ruthann Laswick and Farren Baer continue to develop new programs and certifications to expand our knowledge through professional development. Marilyn Stenger and Brooke Willson stay on top of our chapter's leadership development, operations and chapter management. Denise VanPutten and Melanie Gibson are the dynamic duo that work together to bring updated tools and resources from the Membership Council. These tools will enhance the membership experience as value-added benefits.

These are just a few of the many committees NAHU has working for us, the members!

We have an exceptional staff along with outstanding volunteer leadership but they cannot do it alone. The members of NAHU are the most knowledgeable and dedicated in our industry. I am truly honored and thankful to be one of you. I will never forget what was said to me many years ago when I joined the DuPage, Illinois, chapter. I had just started my agency and was told that NAHU was the place to learn from the best in the business. They were correct. I learned a great deal on sales and customer service. My success was their success. Members who worked many hours for their clients took the time to mentor not only me but any new member. That is what NAHU is all about—special people doing exceptional things.

The next time you see a friend or colleague who is not a member, I hope you will explain to them what it means to be a member of NAHU and how they will benefit personally and professionally. When a new member joins, we all win! That's why I say, "We're all in this together."

I hope 2014 is a great year for everyone. Happy Holidays! HIU