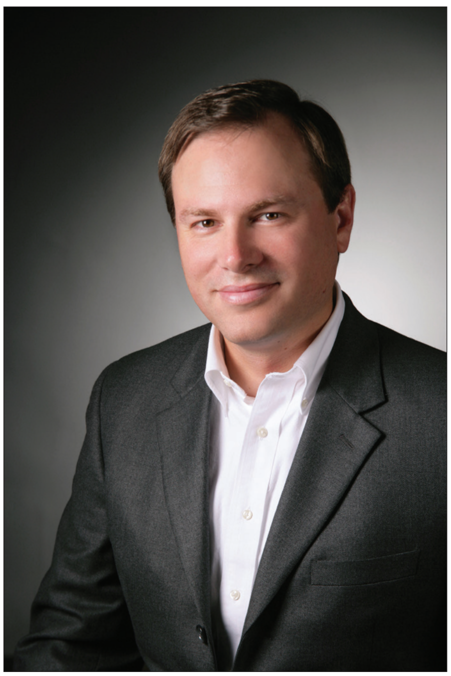
Washington Healthcare News®

wahcnews.com | Articles, Interviews and Statistics for the Healthcare Executive

HR Strategy: Taking Advantage of Healthcare Reform's Vapor Trail

By Daniel W. Fisher
Chief Executive Officer
EmSpring Corporation



The Patient Protection and Affordable Care Act (PPACA) is now law, and the regulations supporting this monumental piece of legislation have been pouring in ever since. Like many of you, I have been spending a great deal of time trying to determine what the compliance issues and practical applications of the PPACA will be for employers. My conclusions? First and foremost, health reform is a process and not an event. The outlook changes daily. Try looking at it this way: if the healthcare industry is 16% of our GDP in the United States, then the PPACA has effectively written new rules for a market economy larger than that of the United Kingdom, Brazil, Italy, Spain or Canada. Our healthcare industry alone is roughly equivalent in size to the total GDP of France. Like our national debt, the numbers are simply too large to easily understand and forecast with any accuracy. But amid the politics and the chaos of the PPACA lies a tremendous opportunity for human resource professionals to lead their organizations toward new and better strategic objectives.

Review Your Strategy

I suggest starting with a thorough review of your health benefits and total compensation strategy. There is nothing in ERISA, the PPACA or any other law that says an employer must offer health insurance to employees and their families. All the onerous laws and regulations apply only if you do offer a health plan. That said, if you do not offer health benefits today, your organization runs the risk of losing key employees, lowering morale and productivity, and being unable to attract top talent. Whether subject to collective bargaining agreements or not, healthcare employers would obviously have additional concerns within their communities by not offering affordable coverage to employees. However, at some point after January 1, 2014 and before 2018, that assumption may no longer hold true. One reason is that the pay or play provisions of the PPACA will give employers an easy escape from the stranglehold of employer-sponsored health plans. It's fair to say a great number of them will gladly pay the penalties and hand most of the cost and the entire administrative burden over to the new State Insurance Exchanges. A giant party will ensue as the heavy compliance risk vaporizes and employers go back to running their business and not their health plans.

As an employer ***and*** healthcare provider, will your organization take advantage of being one of the few who offer their employees a tailored private plan, or will you join the Terminated Plan party? If you commit to sponsoring a private health plan, what will the opportunity cost be? If your competitors begin applying resources-once siphoned off by medical plans and premiums-towards enhancing other benefits, how will you respond?

As baby boomers retire and patient loads increase, attracting and retaining a skilled workforce will be challenging. This will be especially true when unemployment levels return to historical norms. Employers who wait until 2014 to decide if or how a private health plan will be part of their total compensation strategy will be at a substantial competitive disadvantage.

Examine Your Options - Closely

Some may argue the PPACA's burdensome employer regulations and weak individual incentives are unintended consequences and will be fixed before 2014. I don't buy it. Incentivizing employers to drop their private health plans appears to be an intended consequence, and the new rules make it rather obvious. Grandfathering is a smoke screen. It is certainly not intended to "allow you to keep the coverage you now have." Spend five minutes alone with the regulations detailing all the triggers for losing grandfathered status and you can draw no other conclusion. Surprisingly, there are relatively few advantages to grandfathering, and it's only a question of when – not if – you lose grandfathered status. Yes, the internal appeals rules are scary, but just make sure you understand how health benefits fit into your new strategic objectives before you worry too much about all of these "interim final regulations." If your benefits advisor, TPA and health insurer have any hope of remaining in business, they will certainly help you with the compliance part. Your primary role should be strategic.

In addition to grandfathering, many other aspects of the PPACA support the argument for strategic thinking from HR departments. For example, without corrections, the small individual penalties for going uninsured combined with the removal of pre-existing condition and lifetime maximums could easily nail the coffin shut on the private group health insurance market. It may take a couple of years after 2014 for the adverse selection to kick in, but private options for smaller employers outside of the State Exchanges will dry up faster than your sinuses in the Sahara. So why should you spend valuable time and resources keeping your health plan the focal point of your benefits package when it may not be in play much longer? Most employers will turn the boat around and float with the current into the Exchanges. Your employees, particularly the younger ones, will be asking you about the Exchange options for coverage. In the healthcare industry, unless you provide substantial subsidies for employees and dependent premiums and communicate the advantages over the coverage options available through the Exchanges, you most likely will have to consider terminating your employer-sponsored Plan before 2018 as well.

Adjust Your Focus - Strategically

Take this opportunity to advance your total compensation program and improve your ability to retain Baby Boomers and attract younger generations at the same time. Upgrade your payroll system and integrate it with your human resources platform to accommodate 24/7 access and employee self-service. I won't go into the cost benefit analysis of integration here, but it's safe to say that if your payroll and human resource systems don't play nicely together, you are likely wasting countless hours maintaining outdated platforms that are prone to errors. If an employee has a life event and notifies her supervisor, that supervisor should have one step to take that, after the appropriate approvals are given, updates the personnel file, triggers COBRA, changes payroll deductions and to the delight of CFOs everywhere, gets posted to the general ledger as well. This is one of the primary methods of advancing human resource professionals out of daily task oriented duties and into strategic planning within any organization. You simply can't compete for very long using DOS when living in a biometric and cloud computing world.

As I'm sure you've heard, every employer will have to include the cost of health benefits on the W-2s in 2012 for coverage provided in 2011. Despite the viral emails claiming your health premiums will be taxable income (they will not), this will be a simple reporting adjustment. But it is a great time to evaluate how your workflow could be improved with integrated payroll, time and attendance, benefits and leave administration and HR management systems. Use the W-2 and E-Verify reporting requirements as an excuse to act before the new compliance deadlines.

While PPACA compliance is not optional and will require resources, I encourage you to capitalize on this historic strategic opportunity to reposition for success. This is vital whether your organizational goals are for growth, market share, profit, improved patient care, employee work/life balance, cost control, or all of the above. Now is the perfect time for HR professionals to take advantage of the changes coming from healthcare reform and start asking the big strategic questions. The answers may surprise you.

Dan Fisher is CEO of EmSpring Corporation, an independent employee benefits and human resource consulting firm based in Kirkland, WA. Dan is a Past President of the Washington Society of CPAs and has been practicing as an employee benefits broker since 1989. He can be reached at 1-877-550-0088 or dan.fisher@emspring.com. To learn more, visit their web site at www.emspring.com.

Reprinted with permission from the Washington Healthcare News. To learn more about the Washington Healthcare News visit wahcnews.com.