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Our Exclusive Newsletter for Commercial Clients

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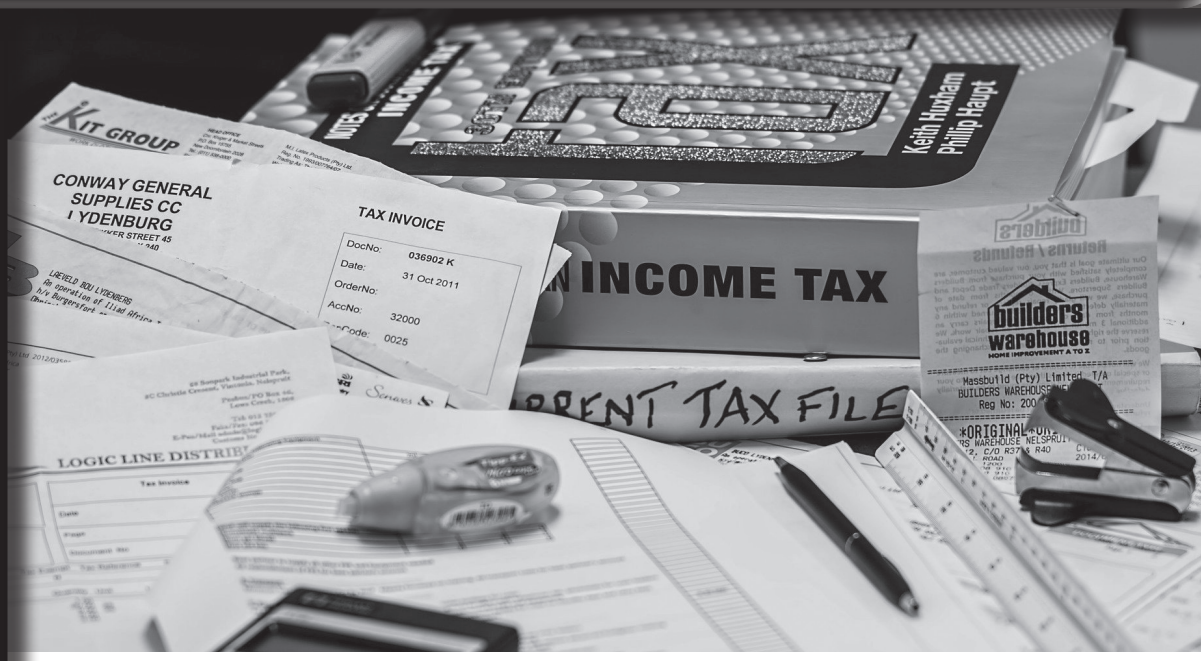

Help your employees better understand pre-tax benefits

We will help you assist your employees in finding the resources they need and help them better understand pre-tax benefits and how to effectively use their accounts. Benefits and COVID-19

It should come as no surprise that employees had to rethink their benefits due to the COVID-19 pandemic. I'm sure you did as well. Their concerns came in three major areas.

1. Spending dependent care funds. With child care options more limited due to the pandemic, Dependent Care FSA account holders wanted to know if their pre-tax dollars could be used to pay for a babysitter. Fortunately, the answer is yes… if certain criteria are met.

2. HSA withdrawals. As a result of the financial hardship caused by the pandemic, employees explored the option of dipping into their HSAs.

3. Making changes to their benefits. Employees were worried about losing their funds, particularly their Medical FSA dollars, and were exploring to see if they

Mike's Notes

For most business owners, there are four kinds of insurance that cover most major exposures.

1. General Liability Insurance

General Liability Insurance is the meat and potatoes of insurance. Pretty much every business can benefit from it because it covers basic risks like…

- Slip-and-fall accidents
- Damage to another's property
- Libel and slander lawsuits

Or to put it more simply, if you hurt someone, break something, or say something stupid, there's a good chance General Liability Insurance can cover your business. Because it covers the basic risks of interacting with the public, you may need this policy to sign a lease for your new storefront or to open a bank account.

2. Professional Liability Insurance

We all mess up sometimes. Professional Liability Insurance is made for professionals who work in high-stakes industries where one miscalculation could cause their clients to lose hundreds of thousands of dollars. So who needs it? That depends, but you can probably benefit from this policy if…

- Your professional organization requires it—for example, doctors and lawyers are required to have it
- Clients won't work with you unless you carry it

Pay special attention to that second reason if you're an architect, software developer, or consultant. In these industries, clients want reassurance that if you mess something up, you can cover their losses.

3. Workers' Compensation Insurance

Workers' Compensation Insurance actually started as a bargain between workers and business owners. Workers were sick of getting injured at work. Businesses owners were sick of getting sued over workplace accidents. Workers' Comp Insurance was the compromise: if an employee is injured at work, this policy helps cover their medical bills. The employer pays for the policy and the employee can't sue if they accept the benefits. It's a solid enough deal that 49 out of 50 states require businesses to have Workers' Comp.

4. Property Insurance

Property Insurance is a pretty easy sell: you've got stuff, and you want that stuff protected from things like…

- Theft
- Weather damage
- Vandalism
- Fire

Say your run a candle business, and one test candle goes rogue and burns down your shop. All you've worked for is now a heap of melted wax, but if you have Property Insurance, your insurer can pay to repair or replace the damaged property. This will at least help take the financial sting away.

Property Insurance is fairly straightforward, so here's something you may not know: most policies can be supplemented with Business Interruption Insurance, which is, in a nutshell, pennies from heaven.

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needed to make benefit changes because of COVID-19. Fortunately, with the relief that was included in the year-end spending bill, employers can take steps to help with this.

Reach out to your tax specialist for more information.

Why Do You Need to Keep Payroll Records?

When it comes to financial transactions, your organization needs to be accountable for its past. It doesn't matter whether laws change (such as the uncertainty around the Affordable Care Act) or employees leave: if you're audited, you'll need to show that you were compliant with requirements at the time to avoid charges of fraud and increased scrutiny.

It's not just the government that may request payroll records. Current and former employees may need to access these records in the event of a dispute or civil lawsuit over compensation. Having correct records helps shield your organization and your managers from false accusations.

How Long Does the IRS Require You to Keep Payroll Records?
Keep employment tax information for four years. The IRS has a three-year statute of limitations for audits, but the limitation is waived if an employment tax return isn't filed, and there's no expiration date for uncovered fraud. Having your tax records stored properly and keeping them accessible helps you keep an audit from snowballing into more stringent requirements and lasting suspicion.

Tax records include the following documents (here searchable by both name and form number):

Tax Forms
Forms W-2 (Wage and Tax Statement) and W-3 (Transmittal of Income and Tax Statements)
Form W-4 (Employee's Withholding Allowance Certificate)
Forms 941 (Employer's Quarterly Federal Tax Return) or 944 (Employer's Annual Federal Tax Return)
In addition to these general tax forms, you also need to keep financial records of your benefits.

Retirement Documents
Form 5305-SEP (Simplified Employee Pension—Individual Retirement Accounts Contribution Agreement)
Form 5305A-SEP (Salary Reduction Simplified Employee Pension— Individual Retirement Accounts Contribution Agreement)
Form 5304-SIMPLE (Savings Incentive Match Plan for Employees of Small Employers (SIMPLE)—Not for Use With a Designated Financial Institution)
Form 5305-SIMPLE (Savings Incentive Match Plan for Employees of Small Employers (SIMPLE)— for Use With a Designated Financial Institution)
Plan documents, adoption agreements, and all plan amendments for profit sharing, 401(k), or defined benefit plans
Affordable Care Act Documents

ABM Weird Facts

Japan is the world's most earthquake-prone country.

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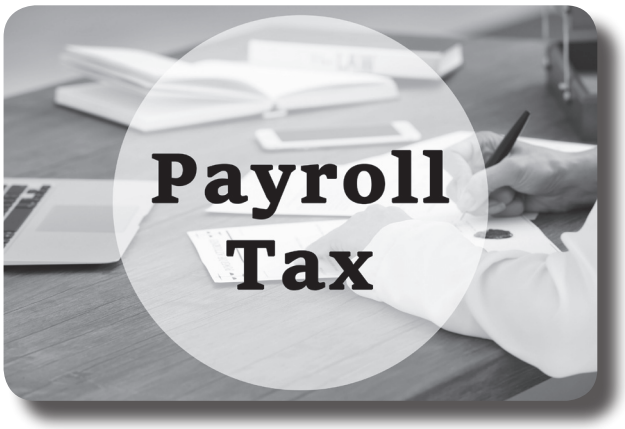
Form 1095-B (Health Coverage)
Form 1094-B (Transmittal of Health Coverage Information Returns)
Form 1095-C (Employer-Provided Health Insurance Offer and Coverage)
Form 1094-C (Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns)

How Long to Keep Payroll Records



Keep employee payroll records for three years. This rule of thumb applies when deciding how long to keep payroll records and how long to keep timesheets. Records should include:

Names, addresses, and Social Security numbers of all employees
Workweek start and end dates
Exempt/Non-exempt status
Pay rate
Hours worked each day/total hours worked each week
Overtime earnings (if applicable)
Total wages paid each period
Additions to or deductions from wages (including garnishments)
Payment dates and pay periods

Are Timesheets Legal Documents?

Timesheets are the records employees need to access when settling compensation disputes with their current or former employer. As such, they qualify as legal documents under U.S. law.

Many states have laws that allow employees to request information from their personnel files, even after termination or resignation. If your organization operates in multiple states, make sure your filing system handles payroll record retention by state standards for each state.

What's the Best Way to Keep Payroll Records?

There are two main challenges to keeping effective payroll records. First, there's the process of working through the sheer scope of documentation required for every employee (as evidenced in this post). Second, even when these documents are produced and filed correctly, it can be a challenge to access them when the need arises.

Meet Our Representative...

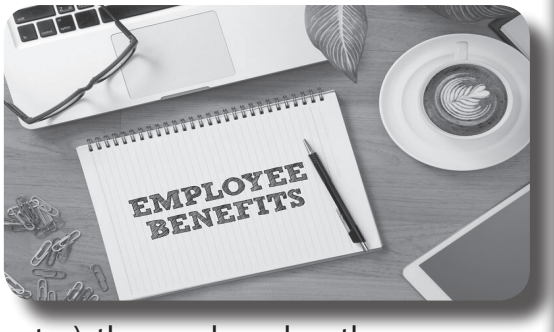
Taylor Thornton

Taylor is from Spring Texas. He attended The University of Texas at San Antonio studying Geology. He worked off shore before getting his property and casualty insurance license. He works in the commercial sales department of ABM Insurance & Benefit Services. When not working he enjoys spending time with family and friends, golfing and traveling.

ABM Weird Facts

North Korea and Cuba are the only places you can't buy Coca-Cola.

Employee Benefit Plans and Medicare – What is best?



32 years of experience in the employee benefits arena, we (almost always) recommend that an employer establish a Medicare program for their employees. Why? It is benefifical for the employer and employee.

The employer benefits through savings - The cost for a medicare supplement is, generally, a fraction of the cost to insure under their major medical plan. Additionally, since most group plans are based on composite rates (average of all rates), they are based on the average age within the group. Removing the older employees, reduces the average age, thereby reducing the rate. Lastly, older employees are traditionally the highest utilizers of medical services, causing cost to increase.

The employee benefits as well. If the employee participates in the cost of coverage, the amount the employee pays is reduced. A Medicare Supplement will provide coverage for the out of pocket cost Medicare does not cover. Thus, the out of pocket cost for medical care is "virtually" zero. Lastly, Employees that are eligible for Medicare and do not enroll in a Part D program could experience a late enrollment penalty.

Integration of Individual Coverage HRAs with Medicare
When you're signing up for Medicare, there are two routes you can go. The first is "Medicare Advantage" - these are the newer arrangements that have all of the parts mushed together. You buy one Medicare Advantage plan and you're covered. They usually have a $0 premium but are tied to a single system (sort of like a hospital HMO network).

The second route is Medicare Supplements. That's where you choose your own Part C and Part D plans. You still have to have A & B.

Which Medicare Parts are reimbursable by ICHRA?
According to the massive legal document that we went to the trouble of perusing for you, (you're welcome!) here's what to know about the ins and outs of ICHRA and Medicare:
To qualify for an ICHRA, the employee eligible for Medicare must have coverage of Part A and Part B together or Part C - Part B by itself doesn't qualify as Minimum Essential Coverage.

ICHRA may be used to reimburse premiums for Medicare and Medicare supplemental health insurance (Medigap), as well as other medical care expenses. (Premiums for Parts A,B, C, D, and Medigap policies are all eligible for reimbursement).

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Which Medicare Insurance qualifies for QSEHRA participation?

In order to participate, employees need to have health coverage that meets Minimum Essential Coverage (MEC). Either Medicare part A (Hospital Insurance) or part C (Medicare Advantage) qualify as MEC.

- Medicare part A (Hospital Insurance) Most people do not pay a premium for Part A as it is a benefit from paying Medicare taxes for a certain period of time. This is known as "premium free Part A." If for some reason you are not covered under social security (or weren't a government employee who paid Medicare tax), you can voluntarily enroll in Medicare A. In this situation you can include the premium for reimbursement through a small business HRA.
- Medicare B (Medical Insurance) is a supplemental medical insurance. Premiums you pay for Medicare B are an eligible medical expense as long as you have either Medicare A or C as well. Check the information you received from the Social Security Administration to find out your premium.
- Medicare C (Medicare Advantage) is offered by a private company that contracts with Medicare. Any premiums paid directly out of pocket to the insurance company are eligible for reimbursement through a small business HRA.
- Part D (Medicare Prescription Drug Coverage) is a supplemental insurance and premiums paid directly out of pocket are eligible for reimbursement through a small business HRA.

What expenses are eligible for QSEHRA reimbursement with Medicare?
Employers have the option to set up the HRA to reimburse premiums only or premiums + expenses. We recommend the option to include eligible medical expenses to most of our clients so that all employees have a chance to maximize their benefit.

In terms of eligible medical expenses for QSEHRA reimbursement: any copays, deductibles, coinsurance, prescriptions, dental, vision, and more are eligible for reimbursement. Employees just need to submit a copy of their medical expense for review through their employee portal.

Still need help? Contact ABM Insurance & Benefit Services at 800-362-2809.

COVID-19 highlights limitations of fully insured health plans

By Michelle Zettergren

Choosing a self-insured health plan model has always offered employers some advantages, including better transparency and more control over their healthcare spending than is possible with a fully insured model. This year's worldwide COVID-19 pandemic has further highlighted the reasons why employers should consider a self-insured strategy over a fully insured model.

In a fully insured model, the insurance carrier covers risk. The carrier determines the employer's premium rates based on age, demographics, and underwriting factors. Often, the insurer must pool risk among several employers to create a larger population. When risk is blended with the populations of several other employers, premiums do not reflect the specific risks of any one population. If your employer group has a particularly healthy year, you pay the same premiums as less healthy groups in your risk pool. The insurance company largely recoups the rest as profit.

In recent years, health insurance companies have accrued so much market power that there is

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little transparency in how they make decisions about premiums and how those dollars are used.

By contrast, with a self-insured or self-funded model, the employer group assumes the claims risk and pays only for the actual costs of care, plus a small fee to the plan's third-party administrator. By pairing the plan with stop-loss coverage, risk from incurring one or two massive claims during the plan year (major accidents or illnesses) can be further reduced. Most importantly, self-insured plans provide the claims transparency that is essential for employers to control costs and drive quality.

Health insurance companies have booked record profits during the pandemic as utilization for elective care dropped dramatically while premiums stayed the same for fully insured plan sponsors. Conversely, self-insured plan spending correlates to actual utilization. As utilization went down during the pandemic, so did health care costs for self-insured plan sponsors.

Uncertainty is the rule with fully insured plans. As they eye 2021, carriers may offer modest premium increases because of reduced plan utilization or they may issue ACA-mandated premium rebates — but they will likely take a conservative underwriting approach as the U.S. faces the possibility of a prolonged recession, lower group membership from job losses, and a spike in rescheduled elective surgeries. Insurers have many levers to pull to maintain profits, and unfortunately premium unpredictability is present even under normal circumstances and presents an ongoing budgeting challenge for plan sponsors.

Self-insured plan arrangements are the best way to plan strategically for the long term, and the current environment is underscoring the need to transition. Of course, because self-insured employers pay claims as they come, they potentially can be hit hard by one or two expensive interventions, but the best TPA partners include advisory services to help guide clients in obtaining reasonable stop-loss coverage.

Traditionally, self-funding has been perceived to be suitable only for large employers, but smaller groups can take advantage of a hybrid option, called level-funding, and become partially self-insured with capped monthly premiums as a transition tool. Administratively, such hybrid arrangements feel fully insured but are self-funded.

Insurance carriers determine coverage and services for each of their plans at a global level — which means fully insured employers are subject to the insurer's decisions for its entire book of business and those decisions may not meet any specific population's needs. In contrast, self-insured employers have the authority to make informed decisions and changes to their covered services at will, ensuring their members receive the care they need, particularly during an unforeseen crisis like COVID-19.

For instance, while fully insured employers were waiting on guidance from carriers about whether testing for the virus or its antibodies was covered, self-insured employers could make those decisions. An effective TPA will also assist its employer groups by providing communications and guidance on how to access such services far faster and more economically than national insurers covering multiple markets.

Similarly, in a fully insured plan, the insurer controls all points of access in the health care value chain. For instance, fully insured employers are subject to the insurer's formulary or, increasingly, restricted to using their networks or owned subsidiary companies that provide health care services directly. Conversely, self-insured employers, with help from their TPA, select their own pharmacy plan benefits

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Insurance & Benefit Services, Inc.
333 N Sam Houston Pkwy #750
Houston, TX 77060
www.getagreatquote.com

★★★★★

Wonderful company!! Samantha and Edlin are always ready to help with any questions or changes we have, or need to make. These ladies are very knowledgeable, and understand that we want good coverage, but can't afford a crazy high premium. I'm sure anyone in the office would be just as accommodating, professional, and as nice as can be. We couldn't be happier!

-Angel

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and unique medical partners. This allows TPAs to help match unique capabilities to specific client needs rather than assuming one size fits all.

Further, self-insured plans are not subject to certain Affordable Care Act fees that are automatically included in fully insured plans and can make up as much as 2% to 3% of the plan's annual expenditures.

Increased transparency is a major advantage of self-insured plans. Unlike fully insured employers, self-insured employers have direct visibility into the claims they pay. This transparency frees self-insured sponsors to use their data to guide them to timely and targeted decisions that can improve their members' health and well-being and control costs, in part by identifying high-risk populations and targeted care strategies to keep members healthy. TPAs also offer data transparency, which helps identify cost trend drivers from both pharmacy and medical lines, and all groups, regardless of size, could benefit from better management of chronic conditions and guiding patients to high-quality, low-cost facilities.