BENEFITS REPORT

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HEFFERNAN INSURANCE BROKERS

Because You're Different

COST CHALLENGES

RISING ACA EXCHANGE COSTS MAY SLOW INTEREST IN ICHRAS

INDIVIDUAL COVERAGE health reimbursement arrangements have attracted growing interest from employers looking for an alternative to traditional group health plans. But a new survey suggests that rising Affordable Care Act Marketplace premiums following the expiration of enhanced federal subsidies may become one of the biggest obstacles to broader adoption.

The Employee Benefit Research Institute and Morgan Health surveyed nearly 1,000 employer benefits decision-makers and found that more than one-third were planning or evaluating an ICHRA. However, only 11% already had one, suggesting that many employers remain in the research stage rather than preparing to make the switch.

An ICHRA allows employers to contribute a fixed amount of money that employees use to purchase their own individual health insurance, usually through the ACA Marketplace, instead of participating in the employer's group health plan. The arrangement gives employers predictable health benefit costs while allowing employees to choose the plan that best fits their needs.

For 2026, employers generally can contribute up to $6,450 annually for self-only coverage and $13,100 for family coverage while meeting the ACA affordability standards. However, those amounts may not come close to covering premiums for many, raising concerns that employees could face significantly higher premium costs if employers move from a group health plan to an ICHRA.

Employers' concerns

ACA Marketplace premiums. 80% of employers worry individual-market premiums are too expensive for employees.
High out-of-pocket costs. 84% of employers offering health coverage believe deductibles and out-of-pocket costs could be too high for workers if purchasing coverage on the exchange.
Marketplace quality concerns. Employers worry that individual market provider networks and plan quality won't match those of traditional group health plans.
Preference for group health plans. Worker preference for traditional employer-sponsored coverage remains one of the biggest barriers to switching.
Administrative complexity. Employers are concerned about implementation, compliance issues and ongoing administration.

Despite concerns, employers with 100 or more workers expressed the strongest interest, with 62% saying they are likely to adopt an ICHRA within the next two years.

What employers say would increase adoption

Employers said they would be more likely to offer an ICHRA if:

- Provider networks in ACA Marketplace plans matched the quality and choice available through group health plans (85%).
- ICHRAs integrated with payroll systems (79%).
- Employers could add supplemental benefit solutions (79%).
- ICHRAs integrated more seamlessly with existing health benefits (78%).
    - More peer employers adopted ICHRAs (76%).
    - Federal or state tax credits encouraged adoption.
    - The ACA Marketplace became more stable, affordable and predictable.

BENEFIT DOCUMENTS

PROPOSED RULE WOULD MAKE E-DELIVERY THE DEFAULT

THE U.S. Department of Labor has proposed a rule that would make electronic delivery the default for delivering many required health plan notices, a move that could significantly reduce paperwork and administrative costs for employers.

For employers, the proposal could substantially reduce the time and expense of printing, stuffing and mailing millions of required benefits notices each year. Employees may also find it easier to access important plan information on their phones or computers whenever they need it.

If finalized, the rule could cut the number of paper notices mailed each year from roughly 1.9 billion to fewer than 200 million, saving employers an estimated $402 million annually, according to the department. The proposal would affect approximately 2.8 million ERISA-covered health plans serving about 155 million participants.

How it would work

The proposed rule would allow electronic delivery of many health plan disclosures required under ERISA.

Affected Documents

- Summary plan descriptions
- Summaries of material modifications
- Summary annual reports
- COBRA election and continuation coverage notices
- HIPAA special enrollment notices
- Claims and appeals determinations, including benefit denials
- Other required health plan disclosures under ERISA

Employees and beneficiaries would receive an e-mail or text notification when these documents are available online. They would still have the right to request free paper copies or opt out of electronic delivery altogether.

Current rules limit default e-delivery to employees who have work-related computer access or have consented to receive documents electronically.

What employers can do now

While the rule has not yet been finalized, employers can begin preparing by:

- Reviewing how they distribute health plan communications,
- Confirming employee e-mail addresses and mobile phone numbers are up to date,
- Evaluating whether their benefits platforms can support electronic disclosures, and
- Developing procedures for employees who prefer to receive paper notices.

If adopted, the rule would likely take effect for documents related to the 2028 plan year.

COMPLIANCE ISSUES

CMS REVISES MEDICARE PART D CREDITABLE COVERAGE RULES

EMPLOYERS THAT offer prescription drug coverage will need to take a fresh look at whether their plans qualify as creditable coverage after the Centers for Medicare & Medicaid Services finalized rules that take effect in 2027.

The changes follow a major redesign of Medicare Part D in 2025, which significantly enhanced prescription drug benefits by lowering enrollees' maximum out-of-pocket costs. As a result, CMS concluded that the long-standing method employers use to determine whether their drug coverage is "creditable" no longer reflects today's Medicare benefit.

The changes may be particularly important for employers that offer high-deductible health plans, as some of those plans may have a harder time meeting the new creditable coverage standards.

Importance of creditable coverage

Employees generally must enroll in Medicare Part D when they first become eligible unless they have creditable prescription drug coverage through another source, such as an employer-sponsored health plan.

If they go 63 consecutive days or more without creditable coverage after becoming eligible, they may face a permanent late-enrollment penalty if they later sign up for Part D.

Because of that, employers that offer prescription drug coverage typically must notify Medicare-eligible employees and dependents each year whether their coverage is creditable. The notice is usually distributed before the annual Medicare open enrollment period that begins Oct. 15.

What's changing

For years, many employers have relied on a simplified "safe harbor" test to determine whether their prescription drug coverage qualified as creditable. Under that approach, plans generally qualified if they met several basic coverage standards and paid at least 60% of prescription drug costs on average.

Beginning in 2027, that methodology goes away.

Instead, employers generally will need to:

- Use actuarial testing to compare their prescription drug coverage with Medicare Part D, or
- Use CMS' revised simplified methodology.

Under the revised approach, employer plans generally must cover brand-name drugs, generic drugs and biological products, provide reasonable pharmacy access and pay an average of at least 73% of participants' prescription drug costs in 2027. CMS has indicated that required actuarial values are expected to continue increasing in future years.

The higher standard means some employer health plans that previously qualified as creditable may no longer do so without plan changes or a more detailed actuarial review.

High-deductible health plans may face particular challenges. However, CMS emphasized that HDHPs are not automatically considered non-creditable, and plan features such as covering certain preventive or maintenance medications before the deductible and lowering member cost-sharing after the deductible is met may help some HDHPs satisfy the new standards.

Reviewing your prescription drug benefits now can help avoid compliance issues while ensuring employees receive the information they need to make important Medicare coverage decisions.

Steps to take before 2027

- Review whether your prescription drug coverage will continue to qualify as creditable.
- Coordinate with us or your carriers to complete updated creditable coverage testing.
- Pay particular attention to high-deductible health plans, which may require additional analysis.
- Update Medicare Part D creditable coverage notices, if necessary, before annual Medicare open enrollment.
- Communicate any changes early so Medicare-eligible employees can make informed enrollment decisions and avoid late-enrollment penalties.

Planning ahead can help avoid compliance issues and keep your employees informed.

Call us today! (707) 789-3048

CAREGIVING DEMANDS TAKE TOLL ON WORKERS: YOU CAN HELP

AS AMERICANS live longer, many workers are balancing job responsibilities with caregiving duties — contributing to higher stress, lower productivity and increased burnout.

Caregiving demands can lead to absenteeism, distraction, fatigue and scheduling conflicts, while the emotional strain of supporting loved ones may reduce engagement and increase the risk of mistakes or accidents, which can turn into costly blowback for your organization.

The challenge for employers is that many workers keep these struggles to themselves, potentially leading to them leaving due to the stress.

Since caregiving duties can fall on people of any generation, it's important for your organization to have a plan to assist staff facing these added pressures.

Gen X most affected

Gen X workers (generally those ages 46 to 61) are feeling the greatest pressure, with many supporting aging parents whose health needs are increasing while still raising children or helping young adult children achieve financial independence.

A recent survey by resume platform Zety found that nearly one in four Gen X employees spends at least two full workdays each week caring for family members.

Challenges go beyond Gen X

- Nearly half of full-time employees currently juggle caregiving responsibilities,
- 37% of workers who care for aging relatives also support minor or adult children,
- 53% of employees had missed work because of caregiving issues,
- 60% experienced increased workplace stress, and
- 48% reported lower productivity while planning or managing care.

Source: Care.com's "2026 Future of Benefits Report"

The effects

Employees facing ongoing caregiving strain may be more likely to:

- Experience burnout,
- Disengage at work,
- Reduce their work hours,
- Decline promotions, or
- Leave the organization altogether.

Burnout and disengagement are especially damaging. They can lead to a higher risk of workplace accidents, lower productivity, poor performance and reduced employee morale. If a key employee leaves due to caregiving demands, it can deal a blow to your organization, regardless of whether they are in sales, administration, operations or management.

What employers can do

Offer flexible work arrangements – These remain one of the most effective tools. Allowing remote work, flexible schedules or compressed workweeks when practical can help employees manage medical appointments and caregiving emergencies without neglecting work responsibilities.

Expand caregiver benefits – These may include elder care referral services, backup care programs, dependent care assistance and employee assistance programs that provide counseling, planning resources and caregiver support.

Educate your staff – Make sure employees understand what benefits are available. Many are unaware that their benefit packages may include caregiving resources through employee assistance programs, health plans or third-party vendors.

Train managers to recognize caregiver stress – Encourage open communication and evaluate employees based on results rather than how many hours they are in the office. This can help them remain productive while managing family responsibilities.

Have questions about caregiving benefits?
Please give us a call.

If you have questions about your coverage or our products, please reach out to me:

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