Health Plans 101—Terminology for New Trustees

Kate M. Cigrand
Director of Compliance
and Research
United Actuarial Services, Inc.
Kansas City, Missouri

Sarah Hicks
Partner
Ledbetter Partners
Miamisburg, Ohio

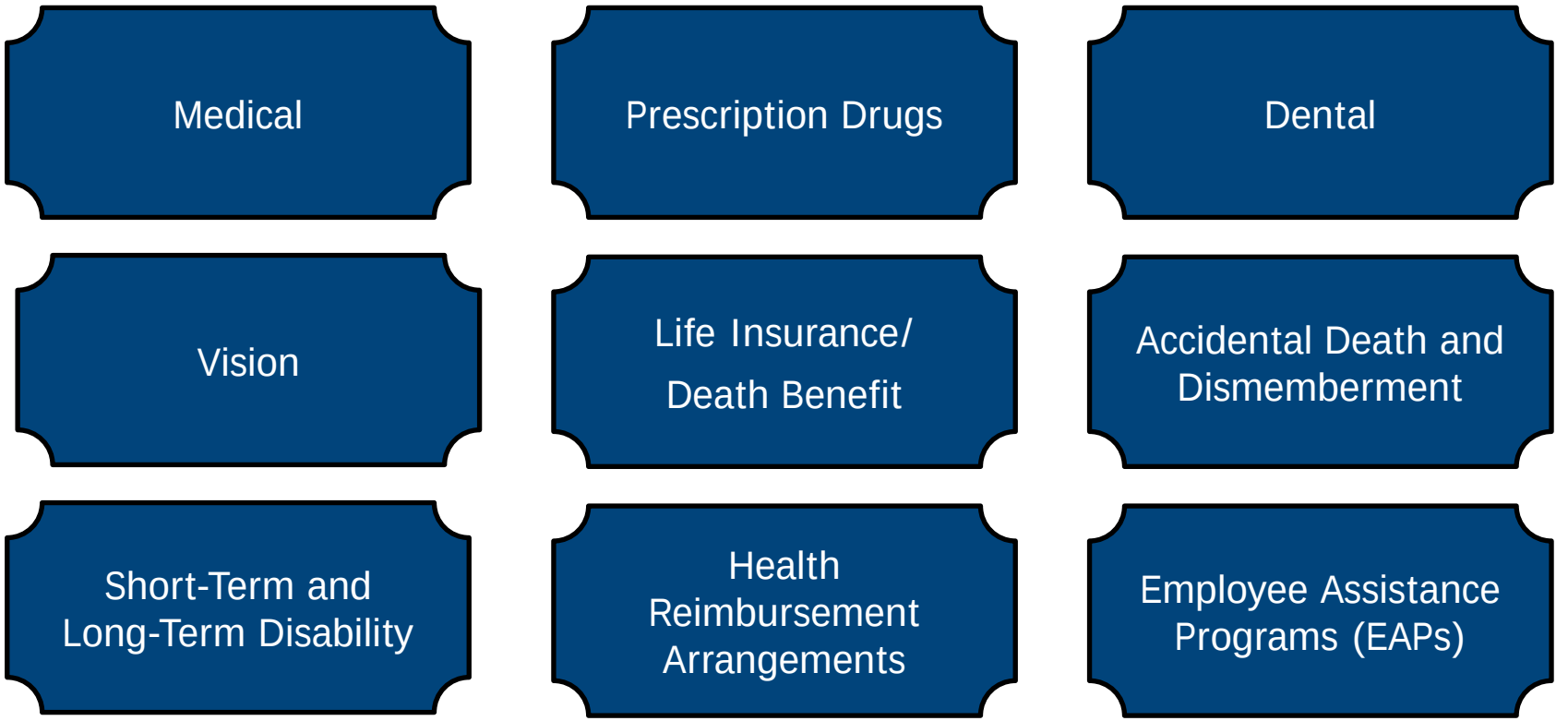
International Foundation
OF EMPLOYEE BENEFIT PLANS

What We Will Cover Today

- Identifying plan structures
  - What type of benefits are provided by health and welfare plans and how are those benefits funded?
- Who are your plan professionals?
- Abbreviations, acronyms, slang and more
- The role written policies play in the operation of health plans

Identifying Plan Structures

What Types of Benefits Are Provided by Health and Welfare Plans?



How Are Plan Benefits Funded?

Self Funding

Plan sponsor acts as its own insurer. Claims paid from plan assets.

Fully Insuring

Plan sponsor pays a predetermined fixed premium to an insurance company and the insurer pays the claims from its assets.

A fund may use a combination of methods to fund the various benefits offered

How to Identify the Funding Structure

- Review the terms of the plan's summary plan description
- Form 5500 identifies funding and benefit arrangements

9a Plan funding arrangement (check all that apply)			9b Plan benefit arrangement (check all that apply)		
(1)		Insurance	(1)	X	Insurance
(2)		Code section 412(e)(3) insurance contracts	(2)		Code section 412(e)(3) insurance contracts
(3)	X	Trust	(3)	X	Trust
(4)		General assets of the sponsor	(4)		General assets of the sponsor

- Discuss with plan professionals and vendors

Factors to Consider When Deciding on Benefit Funding Structure

- **Cost**
  - Self-funding is often less costly as there are no insurance company profit, underwriting, or risk margins
- **Risk Tolerance**
  - Plan sponsor bears risk of high claims and risk based upon demographics of participant population for self-insured benefits
  - Risk transferred to insurance company for fully insured benefits

Factors to Consider When Deciding on Benefit Funding Structure

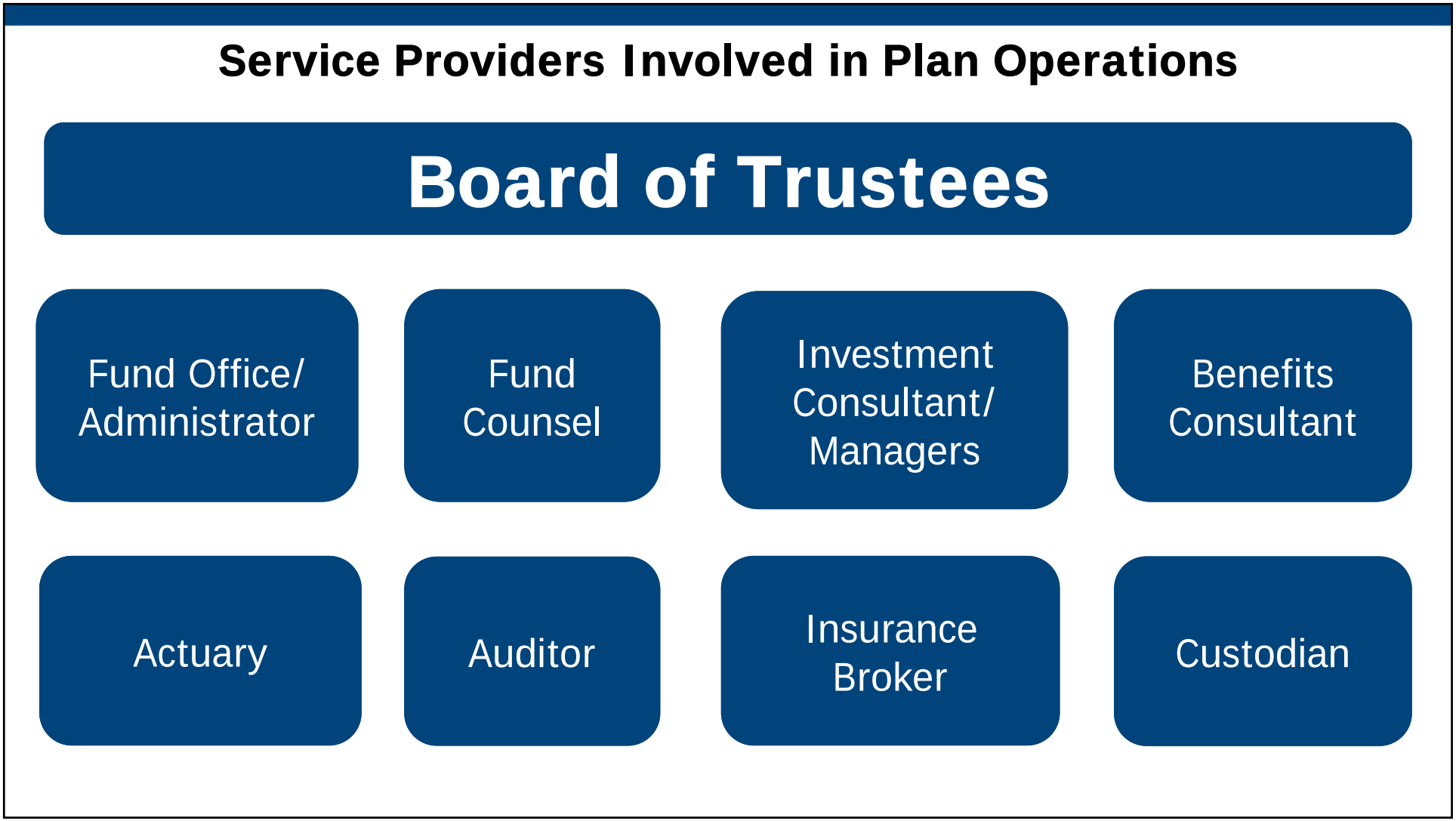
- **Customization of Plan Design**
  - For self-insured benefits, plan sponsor has more control over plan design
  - Fully-insured products are less likely to be customizable and may be subject to state insurance laws' coverage mandates
- **Compliance Obligations**
  - Plan sponsor retains responsibility for regulatory compliance on self-insured benefits

Who Are Your Plan Professionals?

Who Are Your Plan Professionals?

- Many entities involved in the administration of a plan
- Categorized into two groups:
  - Entities supporting the administration and operation of the plan
  - Vendors involved in providing benefits offered by the plan
- As fiduciaries, trustees should know:
  - What is the scope of services the entity provides?
  - How much does the fund pay for these services?
  - Is that payment reasonable?

Service Providers Involved in Plan Operations



Service Providers Involved in Plan Operations

Fund Office/ Administrator	• Handles day-to-day operations of the fund, including customer service for participants • May be a physical Fund Office or outsourced to a Third-Party Administrator (TPA)
Fund Counsel	• Attorneys that advise Trustees on compliance with laws; Reviews service provider/vendor contracts • Handles legal matters, including collections and benefit disputes
Investment Consultant/ Managers	• Offer guidance to Trustees on investments of fund assets; report to Board at meetings • Managers oversee the investments of plan assets
Benefits Consultant	• Reports on claims experience, industry trend, cost analysis, potential gaps in care/coverage • Interfaces with vendors such as stop loss and networks

Service Providers Involved in Plan Operations

Actuary	• Perform ASC 965 post-employment benefit valuation and misc. calculations; Provides benefit modeling and reporting on projected future costs
Auditor	• Prepares required annual audit of plan; files required forms with federal government • May also provide payroll audit services
Insurance Broker	• Coordinates receiving quotes and annual renewals on fiduciary, cyber and crime coverage for the Board
Custodian	• Generally banking institution that holds plan assets • Could serve as remittance/lock box agent for receiving contributions

Benefit Vendors

Board of Trustees

- Medical Network/ Carriers
- Prescription Drug Manager (PBM)
- Dental and Vision Networks
- Virtual Care
- Utilization Review and Care Management
- Employee Assistance Programs (EAPs)
- Life Insurance Companies
- HRA Benefit Card Vendor

Benefit Vendors

Medical Networks/ Carriers	• Entities that contract with facilities and providers to provide services to participants at negotiated rates • Self-insured plans may “rent” a medical network
Prescription Benefit Manager	• Create formularies and pharmacy networks, negotiate rebates with manufacturers; Process prescription claims, review drug utilization, manage mail-order and/or specialty pharmacies
Dental/Vision Networks	• Entities that contract with dental and/or vision providers, who agree to provide services at negotiated rates
Virtual Care	• Entities providing telehealth services

Benefit Vendors

Utilization Review/Care Management	• Entity that evaluates the appropriateness or necessity of treatments and services provided to participants • May also provide prior authorization services
Employee Assistance Programs	• Provides access to a variety of health and wellness resources, including but not limited to short-term counseling or therapy services
Life Insurance Companies	• Companies that offer fully insured life insurance or AD&D benefits
HRA Benefit Card Vendor	• Administers “debit” cards that allow HRA participants to pay for eligible expenses without submitting paper claims and handles substantiation of HRA expenses

Abbreviations, Acronyms, Slang and More

Health Plan Alphabet Soup

- The administration and operation of health plans involve many abbreviations, acronyms, and special terms
- Glossary of common health coverage and medical terms available online through HealthCare.gov

Plan Administration Abbreviations

Summary Plan Description (SPD)

Document informing participants of the benefits offered by a plan, limitations and exclusions on the benefits, and their rights and obligations

Summary of Benefits and Coverage (SBC)

Document in a standard format sent at least annually to participants summarizing a plan's covered services, cost share information, and benefit limitations

Summary of Material Modification (SMM)

Communication sent to participants summarizing plan amendments or changes that impact the terms of the SPD

Explanation of Benefits (EOB)

Document participant receives showing the billed charges on a claim, amount the provider will be paid, the portion the plan paid, and the amount the participant owes

Coordination of Benefits (COB)

Process used to decide the entity to pay first on a claim when a participant is covered by more than one health plan/insurer

Federal Laws Impacting Health Plans

Employee Retirement Security Act (ERISA)

Governs plan structure and operations, fiduciary duties, and plan reporting and disclosure obligations

Health Insurance Portability and Accountability Act (HIPAA)

Primarily known for its rules governing the security and privacy of healthcare information

Patient Protection and Affordable Care Act (ACA)

Comprehensive statute significantly impacting the operation of health plans and the coverage they offer

Consolidated Omnibus Budget Reconciliation Act (COBRA)

Requires plans to offer participants the ability to continue coverage if they would otherwise lose it due to certain events

Mental Health Parity and Addiction Equity Act (MHPAEA)

Requires parity between mental health and substance use disorder benefits and medical and surgical benefits

Federal Agencies Regulating Health Plans

Department of Labor (DOL)

Issues rules and regulations for laws passed by Congress impacting health plans; oversees filing of Form 5500; issues opinions; conducts investigations of health plans

Internal Revenue Service (IRS)

Regulates the "tax status" of health plans; issues rulings on taxability of benefits; required filings

Department of Health and Human Services (HHS)

Issues rules related to HIPAA and guidance on coverage requirements

Centers for Medicare and Medicaid Services (CMS)

Governs laws related to retiree/disability health coverage offered by the government; plan interaction to coordinate benefits

Written Policy Language

Purpose of Written Policies

- Plans use written policies to help provide direction and guidance to both Trustees and plan professionals
- Written policies aid in the consistent application of plan rules and can provide legal protection

Core Written Policies

Expense Reimbursement Policy	Policy aimed at ensuring plans reimburse only reasonable expenses properly incurred; addresses limits for transportation, meals, lodging, and other expenses, such as education programs; explains documentation needed to substantiate expenses
Collection Policy	Covers payroll audit procedures; describes process for handling delinquent contributions, including the timeline for collections and the assessment of liquidated damages, interest, audit costs and legal fees
Investment Policy	Addresses the plan's return assumption on investments; asset allocation structure; investment manager guidelines and benchmarks; proxy voting procedures

Key Takeaways

- Familiarize yourself with the plan's governing documents, including:
  - The Trust Agreement
  - Plan document/SPD and amendments
  - Written policies
- Ask questions to your fellow Trustees and plan professionals
- Utilize available education opportunities

Your Feedback Is Important. Please Scan This QR Code.

Session Evaluation