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It Benefits You

Your Employee Benefits Newsletter

February 2025

In This Issue:

February is a month that reminds us of the importance of connection and commitment. At McGriff, we are honored to partner with you, sharing solutions and strategies to help your organization and employees thrive. We're excited to continue supporting your success in 2025 and beyond.

The McGriff 2025 National Benefit Trends Survey is Live!

Weigh in on the employee benefits challenges and strategies your organization is facing this year and be among the first to hear from us about the results. If you have not yet responded, please click here to take the survey. The survey will close later this month so don't miss your chance to participate.

LET YOUR VOICE
BE HEARD

McGriff 2025 National Benefit Trends Survey is now live.

COMPLETE OUR SURVEY TODAY!

Upcoming Compliance Deadlines

January
31

Form W-2 Reporting Cost of Employer-Sponsored Health Coverage

Employers who issued 250 or more W-2s in the prior calendar year are required to provide employees with the aggregate cost of employer-sponsored group health plan coverage on employee W-2 forms. This reporting is optional for employers who file fewer than 250 W-2 forms.

March
1

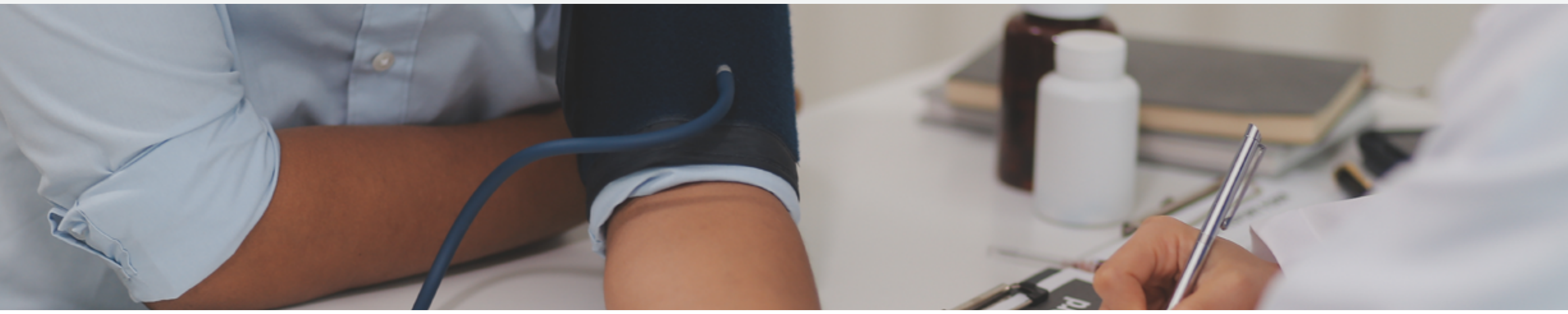
Medicare Part D Coverage Disclosure to CMS (Calendar Year Plans)

Employers whose group health plans provide prescription drug coverage must report to CMS within 60 days after the beginning of the plan year whether the benefits are creditable with respect to Medicare Part D coverage.

March
3

MEWA Annual M-1

Multiple Employer Welfare Arrangements (MEWAs) must file their Form M-1 annual report by March 3 with the DOL (because March 1 falls on a weekend). This filing requirement applies to all MEWAs, including insured and self-insured arrangements.



NEW! Affordable Care Act Reporting Relief Now Available

On Dec. 23, 2024, President Biden signed the Paperwork Burden Reduction Act (PBRA) into law. The PBRA allows Applicable Large Employers (ALE) and self-funded small employers to forego furnishing IRS Forms 1095-B/1095-C to full-time employees/covered individuals if they post a “clear and conspicuous” notice that the forms are available upon request. These changes apply to the upcoming 2024 reporting requirements.

This is good news for employers as it relates to expense and unnecessary administrative burden.

ALEs are still required to complete 2024 1094-C/1095-C forms and file with the IRS by March 31, 2025 (electronic filing deadline). Self-funded non-ALEs are still required to complete 2024 1094-B/1095-B forms and file with the IRS also by March 31, 2025 (electronic filing deadline).

In addition, some states have reporting requirements related to state individual mandates. Our McGriff Compliance Q&A: State Individual Mandate Reporting Requirements provides details about state reporting requirements in California, Massachusetts, New Jersey, Rhode Island, Vermont and the District of Columbia. Employers with employees in these states need to ensure that covered individuals are receiving the required forms, even though employers are no longer required to furnish forms to all full-time employees/covered individuals at the federal level.

We do not yet have specific guidance related to the PBRA’s required notice or the approved method/timing of distribution. It may be helpful to refer to previous IRS guidance on the delivery of Forms 1095-C to non-full-time employees (e.g., part-time, COBRA participants,

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retirees) and Forms 1095-B to covered individuals to infer how an employer could meet the notice obligation.

The IRS has previously permitted employers to meet their "clear, conspicuous, and accessible notice" requirements for non-full-time employees/covered individuals by posting a notice of the availability of Forms 1095-B/1095-C on that entity's applicable website, as long as the posting explained how a covered individual could request a paper copy of the form by email or regular mail.

The posting also was required to include an email address, a physical address to which a request may be sent and a telephone number to contact the reporting entity with any questions. Reporting entities must generally retain the website notice until Oct. 15 of the year following the calendar year to which the statement relates.

At the time of this publication, we are still awaiting further guidance. Given the rapidly approaching deadline to furnish forms (permanently extended deadline of March 3, 2025), conservative employers may want to go ahead and furnish forms to full-time employees/covered individuals for the current year.

If an individual requests a paper copy of Forms 1095-C/1095-B, the employer is required to provide the paper copy to the requester by January 31 of the year following the reporting year, or 30 days following the request, whichever is later.

On Dec. 23, 2024, President Biden also signed the Employer Reporting Improvement Act. The Act codified that Forms 1095-C/1095-B can be provided electronically to individuals if they have affirmatively consented at any prior time, and that an employer may use a covered dependent's birthdate in lieu of the SSN/TIN if the employee does not provide that information. The new law also increases the response time for IRS penalty assessment letters from 30 days to 90 days and sets a six-year statute of limitations on the IRS to assess such penalties.

Laura Clayman, JD, SHRM-CP
McGriff Employee Benefits
Compliance Officer

AI & the Outlook for Human Resources in 2025

A McGriff Webinar Opportunity

February 20 | 2:00 pm EST | 1.0 HRCI/SHRM PDC Pending

Speakers: Janie Warner, McGriff HR Advisory Practice Leader; Marci LaRouech, Seay Consultants

Artificial Intelligence is everywhere! Human Resources is one of the most prominent areas where AI could create both efficiency and better decision-making tools. This session will explore some of the most common uses of AI in the HR world and discuss the pros and cons of the application of this revolutionary technology. We will also discuss other trending HR topics and recent developments in employment regulation.

Register

We are pleased to bring you webinars throughout the year featuring our internal experts and valued partners. Click here to see what topics we'll be covering in 2025!

Set Your Self-Funded Health Plan Up for Success in 2025

At any company, data is one of the keys to building a successful benefits strategy. But data alone isn't enough – it's how you use it that makes the difference. The right data analysis combined with the right benefits broker will put you ahead of the game in 2025. The first quarter of a new plan year is an excellent time to review the outcomes of open enrollment decisions and see how they compare to what you had forecasted for the upcoming year.

Conducting a post-open enrollment analysis is one of the best ways to chart your path, help you analyze your plan's performance and provide customized recommendations to guide your strategy, track progress, and measure results.

Data analytics will help you identify what's driving costs in your health plan and allow you to create an action plan to address them. Key trends we're seeing include utilization management, specialty pharmacy, biosimilars, and the growing number of chronic conditions.

One major trend affecting many employers is the rise in popularity of GLP-1 drugs like Ozempic, Mounjaro, and Wegovy. These drugs have been around for nearly a decade, primarily for diabetes management. But in the last 18 months, they've become much more popular for weight loss. Manufacturers are also exploring their use for other conditions like heart disease and dementia.

With these new indications on the horizon, it's important for your company to have a plan in place. Right now, most of these medications cost over $1,000 per prescription, and employer costs for this drug class have increased by more than 60% in the past year. These drugs now account for about 5% of all medical and pharmacy costs on average. Companies that are lacking access to data often struggle to make informed decisions about covering these drugs. But by analyzing historical information alongside workforce demographics, companies can make decisions that best suit their needs.

Another important area of focus is mental health benefits. Many employers want to understand why some employees may be facing challenges in accessing these resources. Increasing utilization in this area can lead to more productive and fulfilled employees. By analyzing who is using the benefits – and who is not – you can create a strategy to better support those in need. Using your data in the right way can help you answer these questions so you can focus on implementing solutions that will truly make a difference.

Stop guessing whether or not your benefits plan is working. Let your data help you make the right decisions so you can achieve your financial and employee engagement goals. Make your benefits package targeted and meaningful to your workforce!

This article was previously published in HR Professionals Magazine. For your free subscription, visit hrprofessionalsmagazine.com/subscriptions/.

Nick Pearce
McGriff EB Insights & Analytics Practice Leader

Employee Benefits in Captives – The McGriff Difference

While many brokers and consultants tout their abilities and knowledge about funding and/or reinsuring employee benefits (EB) in single-parent captives (SPCs), the McGriff EB team is one of the most experienced and qualified brokers in this area based on our status as the first broker to place employee benefits in a wholly owned SPC.

In 1999 we began a two-year journey that ended with the Department of Labor (DOL) issuing a Prohibited Transaction Exemption (PTE) for Columbia Energy Group (CEG) to use their SPC to fund Long-Term Disability (LTD). And it was indeed quite a journey.

Prior to this ruling the placement of benefits in a captive was difficult because the DOL considered it a prohibited transaction. In general, Congress and the DOL thought that certain transactions were so fraught with abuse that they should be prohibited, regardless of the actual intent. So our journey was ultimately a quest to convince the DOL that using a captive was indeed a good thing for all parties involved.

There were many hurdles to clear to create a structure that would be acceptable to the DOL and insurance market. A lot of them had to be cleared more than once. Many days and nights were spent ironing out details and finding solutions to meet legal, compliance, contractual requirements and DOL constraints. Despite the department's strict placement of guardrails around many of the provisions in the plan and the ultimate approval process of the application, captives are now widely used for a variety of EB risks.

A talented team of individuals from within McGriff, as well as people from other firms, were able to ultimately achieve success. The team included the captive manager, ERISA/DOL attorneys, actuaries, insurance carriers, and many others, including the most important members, the Risk Manager and Chief Financial Officer for CEG.

Certain requirements for DOL approval are a bit more onerous today than the original PTE, but it is still a viable, creative, and financially sound way to place certain EB business. The required enhancements to win DOL approval centered around protections and enhanced benefits for the employee.

If the employer will potentially gain from underwriting profits and investment income, then the employee should be a party to those benefits as well. While these enhancements are generally in the form of plan design, they can also include cost relief. One of the more intriguing requirements was that an offshore captive had to set up a U.S. branch captive. This directive was to ensure that the captive would be subject to U.S. laws and tax codes.

Also, while it took almost two years to convince the DOL to grant the original exemption, the DOL began to allow for an expedited approval process, known as an EXPRO, which can be used to create a much shorter period of application approval. If the new application is materially the same as the one approved for CEG, the decision can be made in as little as 90 days.

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In addition, the DOL approval required a commercial insurer to issue policies as well as enhance participant benefits as discussed earlier. Numerous insurers have insured benefits, which are then reinsured—fully, in some cases—through the employers' captive.

There are many key factors leading employers to expand their captives to fund EB risks. Cost savings and flexibility are certainly two primary considerations, since employers can save from 10% to 50% compared with the traditional use of commercial markets. Those cost savings are possible because the captive, rather than an outside insurer, retains the underwriting profit and investment income on premiums its parent pays to the captive. In good years, the captive can keep any funds not paid out in claims and also hold a portion of the reserves set aside for claims until they're paid out. Additionally, retaining a large portion of the risk creates flexibility around plan design, administration, and cash flow.

Another often overlooked advantage of this approach is that captive EB funding diversifies a captive's book of business. Adding benefits to a captive's risk portfolio can provide more stable underwriting, risk diversification, and cost predictability when compared to P&C risk as well as the commercial marketplace. Ultimately, this approach may provide additional rationale to justify the deductibility of premiums for income tax purposes. If the EB lines of coverage are determined to be third-party business, this deductibility will be very important and profitable to the captive. These EB lines of coverage are typically considered a risk to the employee rather than the corporation so they can be deemed third-party risk.

Likewise, in today's risk-conscious (and often, risk-averse) commercial marketplace, employers who fund benefit risks through their captives have more flexibility in designing their employee benefit programs. Commercial insurers may impose coverage limits or other terms that an employer may not want.

However, there are other challenges facing employers that want to fund employee benefits through their captives.

One challenge is getting two corporate units, i.e., risk management and employee benefits departments, to work together. Indeed, putting together a captive benefit funding program can take a lot longer if an employer's corporate risk management and employee benefits departments do not have strong relationships.

But the biggest challenge, as previously discussed, is winning approval from the U.S. Department of Labor for benefits deemed to be ERISA benefits. This is required for captive funding arrangements involving certain ERISA benefits.

The one type of benefits-related coverage that can be written by captives without DOL approval, however, is medical stop loss insurance or reinsurance. This type of insurance is designed to provide a cap for self-insured employers on the number of losses they incur (either on a per occurrence basis, an aggregate basis, or a combination of the two) under their health/medical plans for employees.

Medical stop loss insurance does not directly cover employees and makes no payments to, or on behalf of, employees. Instead, it reimburses the employer, which is the insured, for claims the employer pays on behalf of its employees. Since the employer is the insured, not the employees, in most cases ERISA does not apply. We've seen a substantial trend in recent years of captives writing medical stop loss coverage.

Given the many advantages there will likely be a steady growth in the number of employers funding employee benefits through their captive insurers.

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Over the last 20+ years, we've used SPCs to insure and control costs for:

- Group Life Insurance
- Group Long Term Disability
- Medical Stop Loss
- Voluntary Benefits
- Budget Control

There are many other uses for SPCs that are not mainstream but are innovative and profitable to the captive and the employer. We continue to explore new ideas and ways to use captives for EB.

Our use of captives for the purposes described above is not only good for the captive, your client, and the employees, but it's good for us as broker/consultants. It separates us from most broker/consultants and provides a close relationship with many of the senior individuals within the company, allowing for long-term relationships.

Keep in mind this article does not cover all topics that need to be discussed before heading down this path. Decisions must be made at the outset regarding several strategies and key partners, including captive manager, state of domicile, actuary, investment advisors, electing a captive board, risk management, HR, and an ERISA attorney.

The captive manager will be important from the beginning since they'll need to provide a feasibility report or study to determine the appropriate lines of coverage for the captive to entertain. While it is an enjoyable and interesting undertaking, it requires all parties to be completely involved in the process from the beginning.

Bob Reynolds, RHU, REBC
McGriff Executive Vice President

C. Wade Bice
McGriff Senior Vice President

McGriff Brings You Mineral!

Register

February 11 | 2:00 p.m. EST

McGriff is excited to provide our Employee Benefits clients with MINERAL – a robust web-based HR and compliance resource. Through your McGriff relationship, you have access to **Mineral Live**, a team of HR experts standing by to answer your questions or provide advice on virtually every HR or compliance-related issue; **Mineral Comply**, an award-winning online resource center for all of your workforce issues, including a Living Handbook Builder; and **Mineral Learn**, an incredible online training platform with more than 250 web-based courses for your employee training needs.

Join us to learn about these exciting features and many more within your McGriff-provided Mineral account.

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EMPLOYEE BENEFIT SOLUTIONS

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