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George Petersen Insurance Agency

News You Can Use

EMPLOYEE CONCERNS

HRAs Can Help Your Staff Pay for Medical Expenses

AS RISING health insurance premiums and out-of-pocket costs for health care are burdening workers, more employers are looking for ways to help their staff put aside money for those expenses.

While health savings accounts have grown in popularity, you can only offer them to employees who are enrolled in high-deductible health plans. Fortunately, there is another option: a health reimbursement arrangement (HRA).

Employers fund these accounts, which reimburse your staff for qualified medical expenses and, in some cases, insurance premiums.

You can claim a tax deduction for the funds you transfer to your employees' HRAs, and the funds they withdraw from the accounts to reimburse for medical-related expenses are generally tax-free.

Unlike HSAs and flexible spending accounts, though, HRAs are solely funded by employers. Also, unlike HSAs, they are not portable if an employee moves to a new employer.

In addition, federal regulations dictate what types of health care expenses HRAs can reimburse, and those rules vary depending on the type of HRA you offer.

Depending on the HRA, funds may be used to reimburse:

- Health insurance premiums,
- Vision and dental insurance premiums,
- Coinsurance, copays and out-of-pocket medical outlays, and
- Qualified medical expenses.

How HRAs work

You decide how much you want to fund your employees' HRAs. Under federal regulations, you must fund all like employees' HRAs with the same amount. So, if you have 12 sales reps, each one would have to get an HRA funded with the same amount, but managers and supervisors could receive a different sum.

Employees can only withdraw funds from their account to reimburse for a legitimate expense they have already paid for. Another option is to provide them with an HRA debit card, which they can use to pay for qualified medical expenses.

Once they have depleted the funds in their HRA for the year, they have to pay for medical expenses out of pocket.

Any HRA money that is unspent by year-end may be rolled over to the following year, although an employer may set a maximum rollover limit that can be carried over from one year to the next.

Types of HRAs

There are a number of different HRAs:

Integrated HRA – This type of HRA requires employees to also be covered by a group major medical plan. It generally reimburses out-of-pocket medical expenses.

Dental/vision HRA – This type of HRA limits reimbursements to only dental and/or vision expenses.

Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) – This type of HRA is only available to employers that have fewer than 50 employees. The maximum annual reimbursement amount is $5,450 for self-only employees ($454.16 per month) and $11,050 for employees with a family ($920.83 per month).

QSEHRAs are typically used to (legally) allow employers to reimburse their workers for individual health insurance premiums, in addition to other out-of-pocket expenses being reimbursed.

Individual Coverage HRA (ICHRA) – This type of HRA is available to employers of all sizes, and employees must be covered by an individual health insurance plan to be eligible.

See on 'Talent' page 2

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If you have a question about any article in this newsletter or coverage questions, contact your broker at one of our offices.

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CYBER THREAT

Software Security Hole Puts Firms at Risk

THE FEDERAL government has warned that a newly discovered computer software vulnerability poses a major threat to the security of computer networks around the country.

Cyber criminals are exploiting holes in open-source code software commonly used in computer applications, websites and cloud services, which can allow them to seize control of a business's computer network if preventative measures are not taken.

This is not a threat that businesses should take lightly as it could cripple your organization if your network is affected. If your firm is large enough to have dedicated IT staff, it should be their immediate focus.

The danger

The vulnerability lies in the Log4j software library, written in the Java programming language and created by the Apache Software Foundation.

Many software vendors incorporate the Log4j software library into products such as websites, applications and cloud services to record network security and performance information.

It is likely that some of the software your business uses is built around Log4j. It runs on everything from cloud services to business enterprise software to internet-connected devices such as security cameras.

The federal Department of Homeland Security, the National Security Agency and other agencies announced on December 10 that they were "responding to active, widespread exploitation" of the vulnerability.

They warned that, if a company's software has this vulnerability, a criminal could take over the network and cripple the business.

What you should do

Do not take this threat lightly. As stated above, if you have dedicated IT staff, make it their primary focus right now.

Major software developers have reported that their products have the vulnerability.

You can find the full list of affected vendors and software here.

Apache has published three software patches to address the problem since it became known. Software developers who use Log4j are likely applying the patches and making updates to their software available to business users.

If you receive notification about an updated version of software you are using, it should be installed promptly.

Vulnerable Brands

Software developed by these firms have the security hole:

- Microsoft
- McAfee
- Hewlett Packard
- IBM
- Red Hat
- Dell
- Cisco
- Adobe
- Salesforce
- Oracle

Companies that do not have their own IT department should contact computer network consultants as soon as possible to get advice on how to proceed.

The Cybersecurity & Infrastructure Security Agency has technical information on this threat on a dedicated website. IT experts should review the site's content, take appropriate actions as soon as possible, and monitor the site for further updates to the situation.

In the meantime, system administrators should adjust logging system settings so it does not interpret data as computer code.

Antivirus software, using a virtual private network for remote access to the system, and being alert for phishing e-mails are also important protections. Sound network data security coupled with safe internet practices can protect your business's systems and your ability to continue operating. ❖

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An HRA Can Help Firms Retain and Attract Talent

The primary intent of the ICHRA is to allow for the reimbursement of individual health insurance premiums, but other out-of-pocket expenses, such as copays and deductibles, can also be reimbursed.

Employees can use these HRAs to buy their own comprehensive individual health insurance with pretax dollars either on or off the Affordable Care Act's health insurance marketplace.

Excepted Benefit HRA (EBHRA) – This HRA will allow for the reimbursement of COBRA premiums, short-term medical plan premiums, dental and vision expenses. The annual reimbursement limit for an EBHRA is $1,800 (adjusted for inflation).

The takeaway

An HRA is another tool in helping you retain and attract talent.

In fact, you can even pair an HRA with an HSA, as long as the HRA is HSA-qualified.

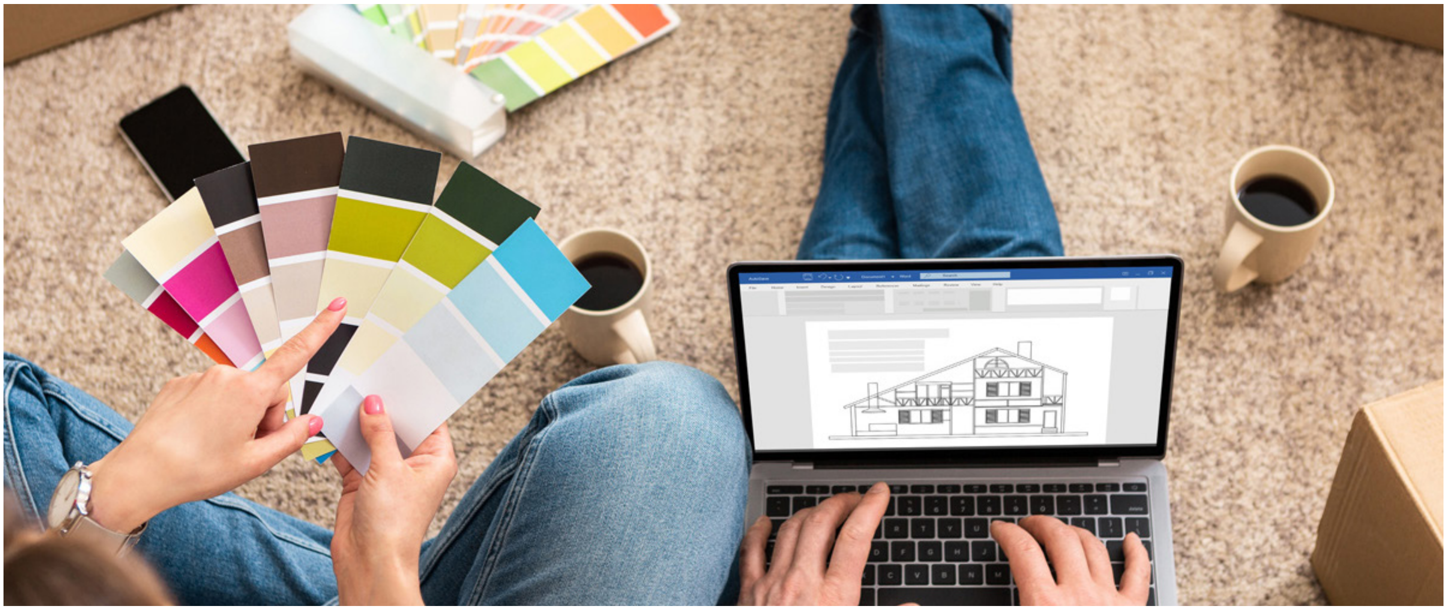
In these instances, you would need to offer a "limited-purpose HRA" that only reimburses employees for expenses that are exempt from the HSA deductible requirement.

These expenses are:

- Health insurance premiums
- Long-term care premiums
- Dental expenses
- Vision expenses. ❖

HOMEOWNERS' INSURANCE

Have You Renovated Your Home? Call Your Insurer



AMERICANS WHO were cooped up at home during stay-at home orders since the early days of the COVID-19 pandemic have been busy renovating their homes in record numbers.

Home renovation spending grew 15% in the last year to a median $15,000, according to a poll by home renovation website Houzz. It also found that higher-budget projects saw an increase to $85,000 or more in 2020, compared with $80,000 in the two years prior.

If you spent money on home renovations recently and you haven't informed your insurer about it, you should.

The reason for this is that if that new kitchen increased the cost of rebuilding your home after a claim, your current policy limits may not be enough to reimburse you if you have a total loss. Ideally, you should inform your insurer before you start renovations.

Below we list the main home renovations that you should inform your carrier about:

Kitchen and bathroom upgrades – One of the most surefire ways to increase your home's value is to remodel and modernize the kitchen or bathroom.

A kitchen upgrade will cost an average of $35,000, while adding an average value increase of $20,000 to your home.

If you spend that much, your homeowner's policy may not have high-enough limits to cover the cost of rebuilding after a disaster or fire.

Please note: If you upgrade your electrical or plumbing systems during a kitchen or bathroom renovation, you could qualify for an insurance discount.

Flooring – New or refinished wood flooring also adds value to your home.

Installing wood flooring by replacing another floor, usually has a 91% return on investment. So a $10,000 wood flooring installation can add around $9,000 in value to your home, depending on the flooring type you choose.

Siding – The average cost of siding replacement in 2020 was $14,518, and the replacement cost is likely to be higher today due to higher material pricing.

Adding more square footage – Some people have added more space to their homes to make it more comfortable to telecommute.

While a home expansion can add value to your home in the resale market, it will also cost more to rebuild in case of a total loss.

You may also need additional insurance if the space you added is not inside your home: like a deck or grandmother's quarters.

Some final tips

When doing a remodel, make sure that your contractor is licensed, insured and surety bonded before signing the contract.

If the contractor starts but doesn't finish the job, their surety bond will cover financial losses the homeowner incurs.

Also, you need to make sure the contractor has general liability insurance, which covers them for accidental injury to someone other than a worker or themselves.

You will also want to make sure they have workers' compensation insurance. If they don't and one of their workers is injured on the job, they can go to your homeowner's policy to cover their workers' comp claim.

Finally, call your insurer if you've made upgrades or have added expensive fixtures. ❖

WORKPLACE SAFETY

Using Near Misses, Other Indicators to Cut Injuries

THE LATEST trend in workplace safety best practices is tracking "leading indicators" – or building on the lessons learned from past events – to reduce the chances of future injuries.

Safety professionals are increasingly keeping track of near misses, hours spent on training and facility housekeeping and measuring the impact on the organization's overall safety record. And they are finding that this approach is having a significant impact in preventing injuries.

The trend is a new one. For years, workplace safety managers and industrial safety engineers used lagging indicators to track and manage workplace injuries and illness. They would evaluate:

- Injury rates
- Injury counts, and
- Days injury-free

In the last few years, safety-minded companies have been shifting their focus to using leading indicators to drive continuous improvement. Lagging indicators measure failure, but leading indicators measure performance.

As you can see, a leading indicator is a measure preceding or indicating a future event that you can use to drive activities or the use of safety devices to prevent and control injuries.

These measures are proactive in nature and report what employees are doing on a regular basis to prevent injuries.

Creating a leading indicator plan

To reduce strain injuries, for example, you can start by identifying the factors that lead to these injuries, like pace of work, loads, repetitions and workstation design.

Track the data to see which areas are likely to cause future injuries.

Once you do, you have a model for how injuries occur. Then, you can consider what interventions you may want to implement to prevent future strain injuries. ❖

Top Leading Indicators

- Near misses
- Employee audits/observations
- Participation in safety training
- Inspections and their results
- Participation in safety meetings
- Facility housekeeping
- Participation in safety committees
- Overall employee engagement in safety
- Safety action plans execution
- Equipment/machinery maintenance

Source: EHS Today survey of 1,000 health and safety pros.

Leading Indicator Benefits

- Show small performance improvements
- Measure the positive: what people are doing versus failing to do
- Enable frequent feedback to all staff
- Are credible to performers
- Are predictive
- Increase constructive problem-solving around safety
- Make it clear what needs to be done to get better
- Track impact versus intention