

Mid-Market Companies Face Health Benefits Enrollment Challenges

The nation's health care reform law requires companies with more than 200 full-time employees automatically to enroll their full-time workers in a health benefits plan starting in 2014, but uncertainty is delaying many employers' efforts.

One challenge for middle-market companies is the U.S. Department of Labor has yet to finalize the regulations implementing the mandate in Section 1511 of the Patient Protection and Affordable Care Act. In fact, the labor department already has said that its automatic enrollment guidance will not be ready to take effect by 2014.

It remains the Department of Labor's view that, until final regulations...are issued and become applicable, employers are not required to comply" with the automatic enrollment provision, the agency said in a statement.

Uncertainty about the effective date of the auto-enrollment mandate has bred confusion among employers, said Karen Breitnauer, compliance attorney at Madison, Wisconsin-based M3 Insurance Solutions for Business. "I don't think the government even knows how this auto-enrollment provision is going to work," she said.

Jennifer Lunski, vice president and compliance officer for San Francisco-based insurance services and employee benefits adviser Woodruff-Sawyer & Co., said determining what constitutes a full-time employee is another challenge for employers.

"We need more information about what the definition of full-time employee is," she said.

While the law defines a full-time employee as working at least 30 hours a week, questions remain about the treatment of workers who may work 20 hours one week and 40 the next.

The auto-enrollment provision has elicited resistance from parts of the business community. In March, a coalition of businesses and trade associations released a letter supporting H.R. 2206, a U.S. House bill that would repeal the automatic enrollment provision.

The auto-enrollment provision would unduly burden businesses, said Neil Trautwein, vice president of the National Retail Federation, which joined other groups in supporting the repeal legislation.

Trautwein said the mandate would present a challenge to companies that have workforces that vary in size seasonally.

"Auto-enrollment is a particular burden for industries like retail and chain restaurants that are faced with a transient workforce," Trautwein said. "We would like to repeal this provision outright."

Gary Kushner, president and CEO of Portage, Michigan-based human resources and employee benefits consultant Kushner & Co., said the outcome of the upcoming presidential election could alter the fate of the mandate, but the prudent course for companies is to begin preparing for it.

“There's a chance it can be postponed, but we've been telling clients to be prepared in case it is not,” he said. “Short of repeal, employers are going to have to do this at one point or another, so they may as well start the preparation process now.”

Nonetheless, Kushner acknowledged many companies wisely delayed acting until the Supreme Court ruled this summer to uphold the health reform law.

Terri Browne, executive vice president of colleague resources at Memphis, Tennessee-based Sedgwick Claims Management Services Inc., said her company is monitoring the state of the mandate.

“We took the approach of waiting to see what would happen with the law,” she said. “So, for us, it is something we are starting to get our arms around.”

Brown said the company's efforts to address the auto-enrollment mandate were part of a larger, multi-year effort to deal with the ramifications of the health care reform law.

“It's not just auto-enrollment. There are also payroll tax and W2 implications surrounding reporting the benefits provided under health care reform,” she said. “We know auto-enrollment is out there, but there are so many other things we have to tackle first.”

Kushner said there is an existing process that might help employers: longstanding auto-enrollment provisions for 401(k) retirement accounts. Still, he said one anticipated difficulty for employers would be to know what level of coverage to assign to an employee.

“Here the employers are not only going to need to know what data to collect to enroll somebody in a health plan, but, if they offer multiple plans, which one to enroll them in,” he said. “For a lot of employers it's going to be much more a challenge than auto-enrollment in their 401(k)s.”