Benefits BULLETIN

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New IRS Tools for 2018 Tax Withholding

As of Feb. 15, 2018, employers must use new tables to determine how much income tax to withhold from their employees' paychecks. The IRS issued the required new tables in Notice 1036 on Jan. 9, 2018. The new tables are also available in IRS Publication 15.

On Feb. 28, 2018, the IRS also released a revised Form W-4 and a new withholding calculator to reflect the changes. The updated tools aim to help employers improve the accuracy of their tax withholdings under changes made by the tax reform law, the Tax Cuts and Jobs Act, which was enacted on Dec. 22, 2017.

Do the new tax withholding tables work with existing Forms W-4?
The IRS' new withholding tables are designed to work with the Forms W-4 that employees have already filed with their employers to claim withholding allowances for 2018. Employers do not need to obtain employees' updated Forms W-4 to use the new tables.

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Can the new Form W-4 be used in 2018?
The IRS has revised Form W-4 for 2019 to more fully reflect the new tax law and to help employees determine withholding amounts. The form can be used in 2018 if an employee starts a new job or if existing employees wish to update their 2018 withholding in response to the new law or changes in their personal circumstances.

What does the new calculator do?
The IRS' updated withholding calculator allows employees to perform a quick "paycheck checkup" to help them determine whether they should make changes to their 2018 withholdings.

While the IRS encourages all taxpayers to use the new calculator, employees who have simple financial situations are not likely to require any revisions for 2018. Those with more complicated situations, however, are strongly encouraged to check their 2018 withholdings using the calculator.

What's next?
Employers should already be using the new tables for 2018. Employers are not required to use the new Form W-4 for 2018 but may use it for any 2018 withholding changes. Employers will be required to use the new version of Form W-4 for 2019. Taxpayers can use the updated calculator to determine whether they should make any changes to their 2018 withholdings.

IRS Reduces 2018 HSA Limit for Family Coverage

On March 5, 2018, the IRS released Revenue Procedure 2018-18 to announce changes to certain tax limits for 2018, including a reduced contribution limit for health savings accounts (HSAs).

The new tax law enacted late last year—the Tax Cuts and Jobs Act—changed the consumer price index for making annual adjustments to the HSA limits. Based on this new index, the IRS lowered the HSA contribution limit for individuals with **family coverage** under a high deductible health plan (HDHP) **from $6,900 to $6,850**. This change is effective for the 2018 calendar year. The IRS' other HSA and HDHP limits for 2018 remain the same.

Employers with HDHPs should inform employees about the reduced HSA contribution limit for family HDHP coverage. Employees may need to change their HSA elections going forward to comply with the new limit. Also, any individuals with family HDHP coverage who have already contributed $6,900 for 2018 must receive a refund of the excess contribution in order to avoid an excise tax.

HHS' 5-point Strategy to Combat the Opioid Crisis

According to a recent report released by the Centers for Disease Control and Prevention (CDC), opioid overdoses increased 30 percent from July 2016 to September 2017. Moreover, 116 Americans die each day from an opioid overdose and more than 1,000 are treated in the emergency room for misusing opioids. In response to the crisis, the Department of Health Human Services (HHS) is focusing its efforts on five specific strategies.

1. Improve Access to Addiction Prevention, Treatment and Recovery Services
In April 2017, HHS announced it would provide $485 million in grants to help states and territories combat opioid addiction. This funding is the first of two rounds from the 21st Century Cures Act. The funding will be provided through the State Targeted Response to the Opioid Crisis Grants administered by the Substance Abuse and Mental Health Services Administration.

HHS states that the funding will support prevention, treatment and recovery services. States and territories were awarded funds based on rates of overdose deaths and unmet need for opioid addiction treatment. It is estimated that 90 percent of Americans struggling with addiction are not currently getting treatment. HHS hopes that its efforts will reverse this statistic.

2. Promote Usage of Overdose-reversing Drugs
HHS said it is committed to increasing access to the lifesaving drug, Naloxone (Narcan and Evzio). Naloxone is an opioid antagonist, meaning that it binds to opioid receptors and can reverse and block the effects of other opioids.

In addition, HHS said it will explore new drugs that could save even more lives. The organization believes that, with the influx of highly lethal synthetic opioids cutting lives short in communities across America, this work has never been more urgent.

3. Increase Public Health Surveillance of the Epidemic
To better understand the opioid epidemic, HHS has launched programs like the CDC's Data-Driven Prevention Initiative and Enhanced State Opioid Overdose Surveillance Program to provide state and local authorities with the resources to help them track developments and respond.

4. Provide Support for Opioid Epidemic Research
HHS states it is working with researchers at federal institutions, like the National Institute on Drug Abuse, and with scientists using federal grants to explore questions such as the following:

- What new kinds of treatment, both pharmaceutical and otherwise, can help us in our fight?
- Are there new kinds of painkillers that are less addictive and safer?
- Can we develop a vaccine for opioid addiction?

5. Advance Pain Management Techniques
HHS claims that, in order to stop the opioid crisis, America needs to revisit its dependence on prescribing opioids to treat pain while still improving the quality of life for patients living with pain. To do this, HHS has taken a three-step approach.

1. Implement a national pain care strategy.
2. Provide clinicians and patients with proper education and resources to improve pain care.
3. Support research on pain.

For more information on the various task forces that have been created to support the advancement of pain management techniques, click here.

Summary
The opioid epidemic is devastating the lives of many Americans and their loved ones, and, according to experts, is worse than other drug crises they have seen before. For more information on how the government and HHS is responding to the opioid crisis, please visit the HHS' website.

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Key Highlights from the 2017 Health Plan Design Benchmark Summary

Each year, Zywave conducts its Health Plan Design Benchmark Summary, which is based on data gathered from one of the largest databases in the country, consisting of more than 40,000 employer-offered health plans. This analysis focused on the trends that emerged from the aggregate data over the past five years, what differences occurred in plan designs between small and large employer plans, and how plan types responded to economic and regulatory conditions. Listed below is a summary of the key findings.

Rising Health Care Costs Cause Shift in Plan Components
The broad shift in plan components seems to be driven by increasing health care costs. In most of the plan components analyzed, we see broad shifts away from levels that are less expensive for employees toward levels that expose employees to additional costs. These shifts started occurring before many of the ACA provisions took effect and were gradual and broad enough to suggest that these movements were in reaction to the increasing costs of health care—a trend that has been ongoing for more than a decade.

ACA Requirements Impact Some Plan Components
While there continues to be a somewhat gradual reaction to the increasing costs of health care within most plan components, in some components, we see this accelerated dramatically by the ACA's requirements.

If the ACA is completely repealed at some point by the Trump administration, or if any replacement legislation removes these limits, we would likely not see a significant reduction in the average out-of-pocket maximum (OOPM). Instead, we would expect to see a continued increase in the average OOPM. Because employers have already moved toward higher OOPM levels, it would be a significant expense to reduce those levels. A decrease would likely only occur if necessitated by a dramatically increased level of competition for talented employees.

Employee Health Has Impact on Health Care Costs
Healthy employees seem to be more insulated from increasing costs than unhealthy employees. The average amount for plan components like the emergency room (ER) copay and the OOPM have seen more dramatic increases than the averages for components like office visit copays or individual deductibles. We believe this is the result of employers' attempts to shield the average employee from feeling the increasing cost of coverage. Only a handful of employees on any given plan may have to pay the full OOPM or ER copay amount, while many employees will likely hit a deductible limit, and nearly all employees will have to pay an office visit copay. While this protects the average healthy employee from realizing the full cost increase, this has the unintended consequence of exposing unhealthy employees to a larger share of the cost increase.

Plan Designs for Large and Small Employers Are Becoming Increasingly Similar
Over the past six years, the differences between large and small employer plans have narrowed. For most plan components, the differences between the percent of small employer plans (50 or fewer employees) in a given segment and the percent of large employer plans in that segment decreased. The differences that do still exist are typically the result of large employers offering more generous plan designs than small employers. This is likely due to large employers' increased emphasis on attracting top talent and relatively lower price sensitivity.

Different Plan Types React Similarly to Regulation and Economic Conditions
After analyzing the five most represented plan types in the data set, we found that, on average, each plan type reacted in a similar way to changing market conditions. So while different plan types migrated to less generous plan components at different rates over the years, the change between plan types in each pricing segment was effectively zero. This trend indicates that generally all plan types reacted similarly to market conditions in a manner consistent with the inherent strategy of each plan type.

For More Information
The full text of the 2017 Health Plan Design Benchmark Summary is available in Broker Briefcase. Contact Owen-Dunn Insurance Services for more questions.