



2021 Marketplace Update

EMPLOYEE BENEFITS



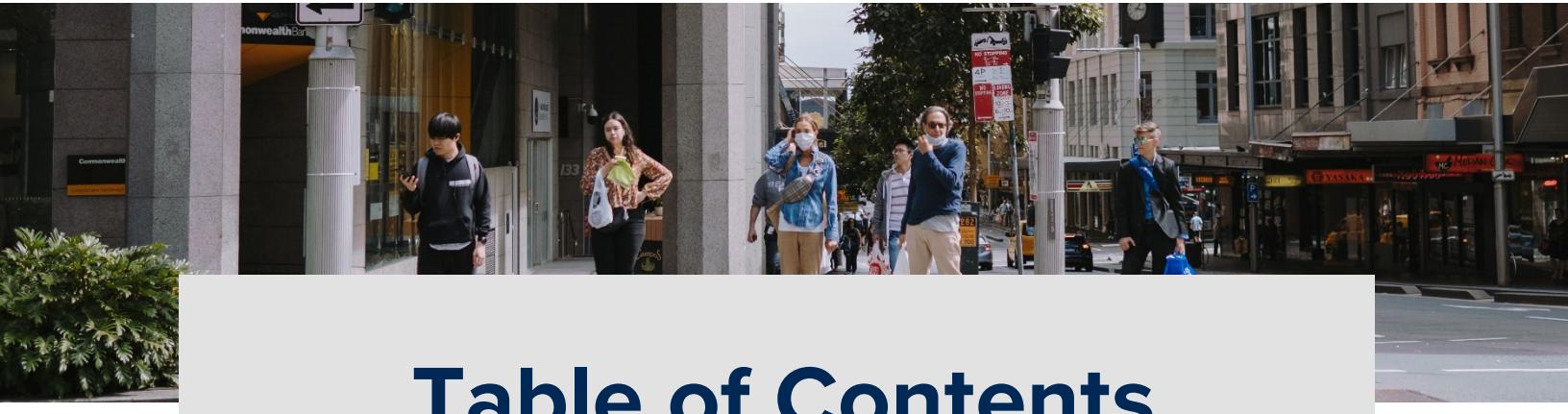


Table of Contents

Employer Priorities in 2021	1
COVID-19 Return-to-Work Considerations	2
Mental Health & Emotional Well-Being	3
Medical Trends	4
Pharmacy Update	5
Underwriting Projections	6
Unique Marketplace Concepts	6
Virtual Health Care	7
Communication Trends	8
Compliance Updates	9

Top Employer Priorities in 2021

COVID-19: The Employer's Role

The COVID-19 pandemic has brought many challenges employers are still learning how to navigate. With the release and distribution of the vaccine, there are a few important considerations employers should address, such as:

- **What does return-to-work look like?**
- **What are employer responsibilities?**
- **How do we support our employees?**

Health and Well-Being's Position in Workforce Strategy

This year, more than ever before, employers see investments in health and well-being as an essential part of workforce strategy, increasing from 36% in 2019 to 45% in 2020. This is spurred in part by the COVID-19 pandemic, shining a light on the connection between employee health and well-being and overall business performance.

Source: 2021 Large Employers Health Care Strategy and Plan Design Survey by Business Group on Health

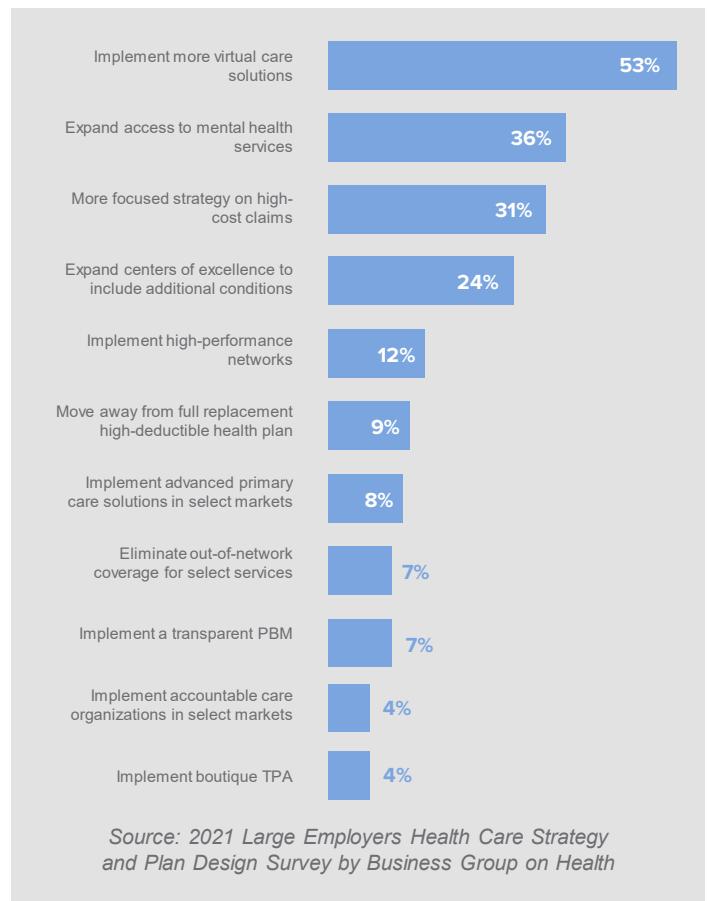


Mental Health Stays in the Limelight

Already an acute area of focus, employers have doubled down on mental health and emotional well-being. This has naturally created less stigma associated with mental health issues, more acceptance, and a heightened interest in new mental health delivery models.

Virtual Health Care has a Dominant Presence

Virtual health care is here to stay, spanning an array of services, from primary care to musculoskeletal to mental health and many others. While employers have been implementing more virtual solutions in recent years, the COVID-19 pandemic caused the pace to accelerate at an exponential rate.



Health Care Costs are a Moving Target

COVID-19 has triggered delays in care (preventive and elective) while dually accelerating the necessity for unprecedented care response needs. Industry-leading actuaries suggest such trends could equate to overstated OR understated trend assumptions and is likely to vary by region, industry, and a given population's demographics.

Virtual Employee Engagement

This is the time to establish dynamic engagement tools and technologies outside the conventional confines of in-person events and meetings.

Expanding Voluntary Benefits

Amidst the COVID-19 pandemic, the attraction to evolving voluntary benefits is strong as employers seek to expand their employee value proposition. Employees have expressed the importance of these personalized and customized benefits, particularly surrounding financial well-being, work/life balance, and lifestyle support.

COVID-19

Return-to-Work Considerations

Many workers would like to telework after the pandemic is over; transition to working from home has been a rapid learning curve for many.

Among employed adults who say: *For the most part, the responsibilities of their job can be done from home:*

- 20%** Worked from home before the coronavirus outbreak
- 71%** Currently are working from home
- 54%** Would want to work from home after the coronavirus outbreak ends

Source: Pew Research Center

Have a Plan

Depending on the industry, a normal workday looks much different than it did a year ago. With many currently working from home, it is vital that employers have a solid return-to-work or post-pandemic workforce strategy. It is equally important that the plan is well communicated. Corporate culture and holistic total rewards planning are anticipated to be a top leadership priority in 2021.

Guidelines & Regulations

- Constant changes in stay-at-home orders, school closures, and re-opening stages present workload challenges.
- Employers are confronted with ever-changing state and federal guidelines and their role in vaccination protocols.

Employee Support

Schedules & Working From Home

As many companies navigate the virtual working environment, it is important to understand that it could be a new norm in the workplace to allow increased flexibility around employee schedules and working from home. Virtual work atmospheres require support both operationally and sometimes financially from employers.

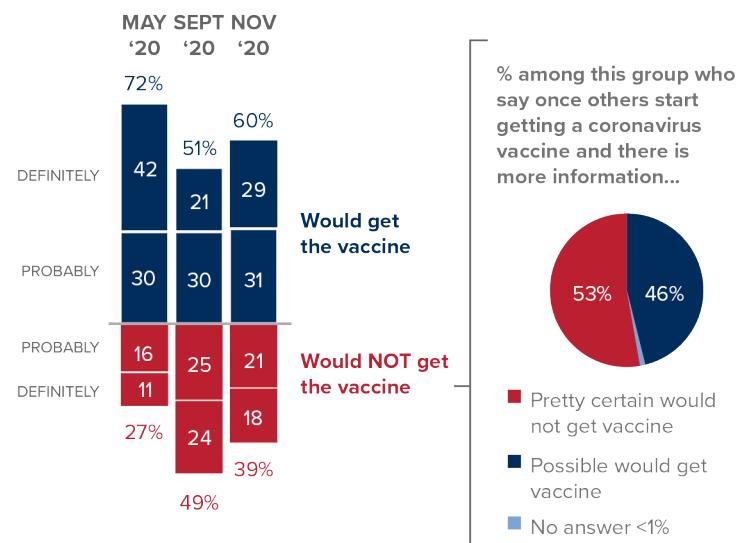
Mental & Financial Health

COVID-19 has had a significant impact not only on individuals' financial state but also on their emotional and mental well-being as well. Employers are striving to find new and innovative ways to support their workforce during the crisis by meeting their employee's individual needs through options such as lifestyle spending accounts.

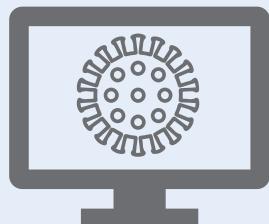
COVID-19 Vaccine

Costs

The vaccine is beginning its early distributions with first responders and high-risk individuals receiving early doses. It will likely be months before the majority of the population has access to be vaccinated. The Federal Government has a goal of no up-front costs to providers and no out-of-pocket costs to recipients. Self-insured plans should plan to budget for costs associated with the vaccine for members and also consider how to support non-enrolled employees alike.



Source: Survey conducted Nov. 18-29, 2020.
"Intent to Get a COVID-19 Vaccine Rises to 60% as Confidence in Research and Development Process Increases"
Pew Research Center



Visit the Brown & Brown [COVID-19 Resources page](#) for up-to-date information.

Mental Health & Emotional Well-Being

In 2020 and 2021, employers have and will continue to put a tremendous amount of time and resources into employee mental health and emotional well-being. The COVID-19 pandemic reinforced anti-stigma efforts by shining a light on how vulnerable every employee can be in trying times.

Employer strategies to address mental health can be divided into three categories:

1. Access

The most significant change was that more employers plan to offer online resources such as apps, articles, videos, and webinars. 88% of employers will do so in 2021, compared to 69% who have them in place in 2020.

Source: 2021 Large Employers Health Care Strategy and Plan Design Survey by Business Group on Health

2. Culture

Employers have become hyper-focused on helping managers recognize when an employee needs support. They have provided increased resiliency training and are focused on adequate resources and communications.

3. Benefit Design

When it comes to mental health treatment and providers, many employers are enhancing access by reducing out-of-pocket costs for employees in four key areas:

- No or low-cost virtual counseling through telemedicine
- No or low-cost on-site mental health counselors
- No or limited copay mental health Rx
- High-performance mental health network considerations

Mental Health Parity provisions apply

In the Market

As the marketplace for mental and behavioral well-being continues to evolve in response to member needs, there has been a variety of cross-functional solutions that employers can consider when addressing their members' mental health needs, such as:

Digital Emotional Health

Mobile-first, app-based tools providing evidence-based therapy techniques that are designed to allow employees to complete programs with flexibility and privacy.

Critical Incident Support

Support employees after a critical event occurs to cope with the short and long-term impact.

Employee Assistance Programs

Offers employees confidential support for personal and work-related issues.

Virtual Behavioral Therapy

Online mental health resources, such as virtual mental health visits, coaching, webinars, and resources to improve employee mental health.

Bundled Total Well-Being Solutions

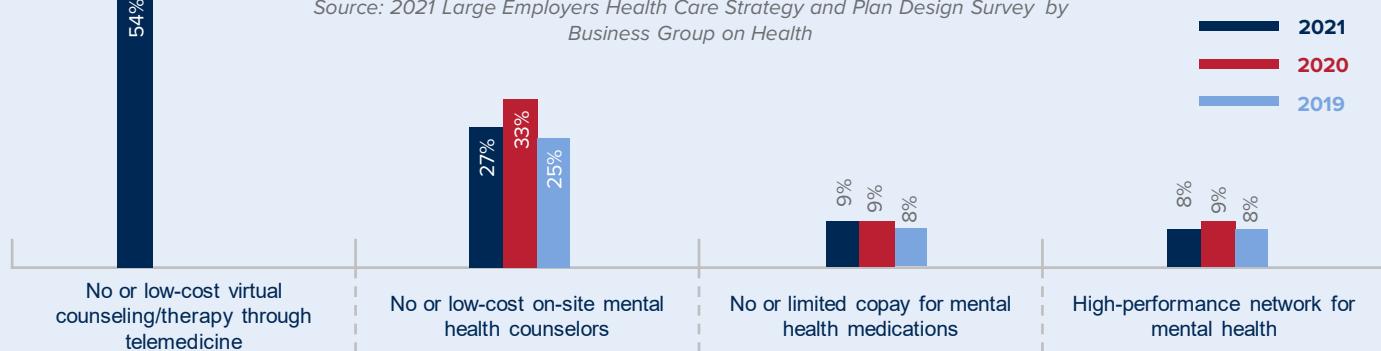
Umbrella solutions that combine mental, physical, and financial well-being through a common platform.

Lifestyle Spending Accounts

Employee centric experience that offers a menu of well-being solutions to meet individual needs. An employer contributes funds and designs the plan to cover the types of expenses your employees care about, need, and want to support their well-being.

Benefit Designs to Improve Mental Health Access

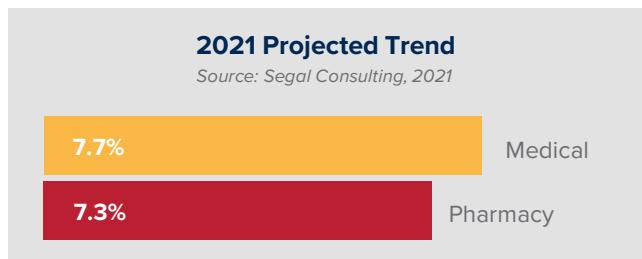
Source: 2021 Large Employers Health Care Strategy and Plan Design Survey by Business Group on Health



Medical Trends

What is Impacting the 2021 Trends?

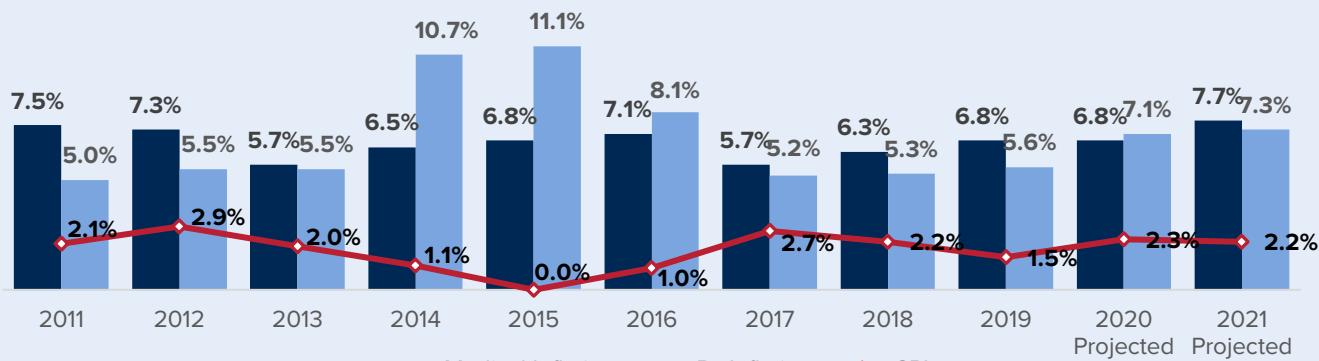
Moving into 2021, Segal is reporting medical and Rx cost increases are beginning to level off. Consistent with more than a decade of data, price inflation is projected to have the greatest impact versus the utilization of services.



Other key findings include:

- 2020 reductions in health plan costs as a result of pandemic-related suspension of non-essential care more than offset the cost to test and treat patients for COVID-19.
- Double-digit specialty Rx cost trend, mostly driven by price increases and new specialty drugs, continues to be a challenge for plan sponsors.
- Provider price increases continue to be the primary driver for both medical and Rx trends.

Medical and Rx Plan Inflation Versus the CPI



Source: CPI: U.S Bureau of Labor Statistics, Inflation: Segal 2021 Medical Plan Cost Trends

Market Updates

- Blue Cross Blue Shield (BCBS) reached an agreement on a class-action lawsuit, challenging elements of Association licensing agreements. Changes allow certain large, self-funded national employers to request quotes outside of their local BCBS company.
- The Justice Department announced a global settlement of civil and criminal investigations into Purdue Pharma's aggressive marketing of opioid medications, including OxyContin, valued at over \$8.3 billion.
- MetLife announced an agreement to acquire Versant Health, owner of Davis Vision and Superior Vision.
- Online retailer Amazon announced two new pharmacy options under the Amazon name: Amazon Pharmacy Store and Amazon Prime Rx Savings Benefit.
- Teladoc Health completes merger with diabetes management app, Livongo.
- HHS finalizes regulations for coupon accumulators, stating amounts applied to discount drug manufacturer coupons may, but are not required to be, counted towards annual cost-sharing limitations.
- New transparency rules require group health plans to provide personalized pricing information for 500 different medical procedures by 01/01/2023 and also publicly disclose certain negotiated rates by 01/01/2022.
- The "Most Favored Nation" Executive Order was finalized and approved the use of international reference prices to help lower drug costs in the U.S. (specific to Medicare Part B coverage).

Pharmacy Update

In the Market

- High-cost specialty medications continue to gain approval for conditions outside of the drug's original treatment intention. This could have an impact on costs for largely debilitating conditions when individuals need alternative treatment options.
- New programs directed at implementing point-of-sale rebates and consumer coupon cards are on the rise, with many employers putting them into place in 2020 and 2021.

COVID Impacts

Consistent with medical, there is a risk of increased pharmacy trend associated with ailments that arise or that were missed due to the suppression of routine screenings and exams.

Specialty Medications

Sources throughout market data studies suggest Specialty drugs continue to represent a small fraction of total Rx claims at only 1%-3% of total prescriptions filled. However, with an average trend increase of 15.4%, it is no wonder employers continue to be concerned about best managing these high-cost therapies.

- Employers continue to look at plan management tactics to control spend with many health plan sponsors increasing (or removing altogether) specialty drug out-of-pocket spend limits for members.
- Many plan sponsors are also no longer giving deductible, coinsurance, or out-of-pocket maximum credit for discounts attributed to manufacturer coupons.



Underwriting Projections

Health plans will need to exercise caution when considering 2020 experience for underwriting purposes. The anomalous nature of how COVID impacted a health plan's claims activity in 2020 makes that experience not credible for most projection modeling. Fortunately, many underwriting models have already moved away from using the experience associated with the most recent time-period due to the "deductible immaturity" that high deductible health plans (HDHP) create inside of incomplete periods. However, with many employers moving away from HDHPs, that variable is becoming less relevant. Accordingly, many pandemic factors will challenge future forecasting needs, including but not limited to:

- Return of delayed elective procedures
- Delayed care of high-risk claimants
- Increases in provider "base rates" to make up for losses or mitigate loss due to lower demand
- Large pended COVID claims from 2020 might pay in 2021
- Availability and cost of vaccine

- Availability and cost of antibody testing
- Detrimental shifts in risk pools
- A "Third Wave" and additional strains
- Potential for government assistance
- Impact on individual marketplace could trickle into admin and pooled products such as stop-loss

Unique Marketplace Concepts

Lifestyle Spending Accounts

Employee-centric experience that offers a menu of well-being solutions and voluntary benefits to meet individual needs and compete in total rewards strategies. An employer contributes funds and designs the plan to cover the types of expenses your employees care about, need, and want to support their well-being.

ICHRAAs

New to the scene in 2020, agency guidance now allows employers to implement reimbursement model accounts (HRAs) for eligible employees to purchase insurance policies on the individual market or offset Medicare premiums.

Reference or Value-Based Payment Models & Direct Contracting

Reference or Value-Based Payment models apply methodologies that leverage Medicare and/or geographic cost information to determine fair and reasonable pricing for medical service reimbursements. A stark difference from that of traditional PPO top-down pricing standards, they aim to drive new transparency, price guidelines, and focus on quality.

Stop-Loss – Group Purchasing

Stop-loss coverage in a captive or coop purchasing environment is gaining traction as employers seek opportunities to reduce fixed expenses and materialize investment returns based on individual or pool experience.

Virtual Health Care

Telemedicine and Innovative Digital Solutions

There is no doubt that virtual care has accelerated exponentially – playing a critical role in providing care during the pandemic, as well as bringing increased interest from employees and providers alike. Employers are leveraging this opportunity by promoting all the impactful virtual services, from those delivering primary care to musculoskeletal to mental health, as well as many others.

- According to the CDC, during the first quarter of 2020, the number of telehealth visits increased by 50% compared with the same period in 2019, with a 154% increase in visits noted in surveillance week 13 of 2020, compared to the same period of 2019.
- The cost for these visits vary by access point but are often equivalent to or less than a traditional in-person general office visit.



Expansion of Telemedicine Services

Extending Access Hours

With an increase in call volume and overall need driven by COVID-19, vendor partners and health plans are looking to expand their virtual care access hours to accommodate the number of requested visits.

Waiving/Reducing Member Cost Share

The latest guidance temporarily allows telemedicine with reduced or no cost-sharing without jeopardizing HSA contribution eligibility. The change in flexibility is meant to reduce the number of individuals going into the doctor to help limit the transmission of COVID.

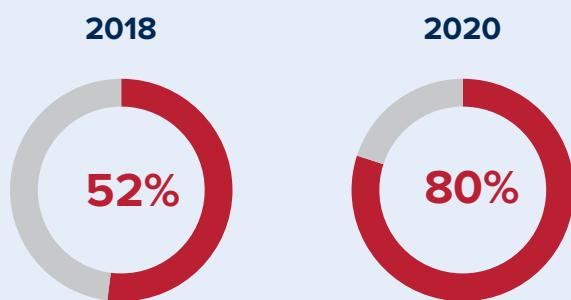
Promote Other Virtual Benefit Offerings

As a result of the increased attention to telemedicine, employers have a new opportunity to emphasize other virtual solutions, including wellness programs, chronic condition management coaching, and online transparency tools.

Significant growth is forecasted for virtual solutions addressing specific conditions such as musculoskeletal, cardiac, diabetes, mental health, and/or fertility care as we look to 2021 and beyond.

Large Employers Views on Virtual Care, 2018 – 2020:

Believe virtual care will have a significant impact on how care is delivered in the future:



Source: 2021 Large Employers Health Care Strategy and Plan Design Survey



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Communication Trends

The pandemic has brought face-to-face communication strategies to a grinding halt for many industries — at least in the traditional sense. But this presents technology and industry engagement platforms with an opportunity to build and scale virtual engagement that can not only be critical in this dire moment in time but also in the future as a means of enhancing resiliency, expanding outreach, and actually enhancing our ability to connect.



7 Strategies to Boost Virtual Employee Engagement

1. Host a Virtual Benefits Fair

Turn your physical benefits fair into a virtual experience that enables employees — and their families — to interact with your benefits vendors, “visit” vendor booths to collect information, and attend live presentations, get answers to their questions, and even win prizes.

2. Record Podcasts

Use podcasts to highlight key leaders speaking authentically about issues they are passionate about. It is a way to make a personal connection and break through the isolation many may be feeling as we continue to practice social distancing.

3. Add a Digital Mobile App

Reach employees quickly and easily. Accessible from any device — phone, desktop, or tablet — mobile app sites can be seamlessly linked from existing sites and also be accessible from outside your firewall.

4. Add Chatbots

Reduce calls to HR by implementing an online chatbot to respond to commonly asked questions and direct users to more information.

5. Virtual One-on-One Enrollers

Through qualified benefit professionals, employees get the hands-on support they need to make their benefit decisions while staying socially distant with ease from the comfort of their home or office. New technology allows them to retain face-to-face experiences while managing benefit elections and plan design queries.

6. Virtual Reality Meeting Room Space

To give your employees the same atmosphere they are familiar with while working from home, a virtual reality meeting room space provides the same level of communication with a similar feel to a typical in-person meeting. Virtual reality meeting room spaces can be used for quick discussions, internal meetings, or customer/client meetings.

7. Collect Feedback Using Quick Pulse Surveys

Maintain a personal connection with your workforce by listening to their needs and concerns. Brief pulse surveys can help you understand what your people are thinking and feeling and reinforce your commitment to their emotional well-being.

Compliance Updates

Regulation Updates

CARES Act

Coverage without cost-sharing for COVID-19 testing and vaccination is required for all enrollees in individual and group health plans.

- Employees may use FSA, HRA, and HSA funds for OTC drugs and medicines without a prescription and feminine products (if incurred on or after January 1, 2020).

Families First Coronavirus Response Act (FFCRA)

In the initial stages of the COVID-19 pandemic, employers with fewer than 500 employees were required to provide employees with paid sick and family medical leave for reasons related to COVID-19.

- Effective January 1, 2021, legislation allows employers to choose if they wish to continue to comply with previous paid sick and family leave provisions of the FFCRA.

Extended COBRA & HIPAA Special Enrollment Timeframes

For group health plans subject to COBRA, the following timeframes have been temporarily extended to begin on the first day after the end of the Outbreak Period. If the event occurred before the Outbreak Period, the remaining time will resume following the end of the Outbreak Period.

- Qualifying Event Notice:** Employees or qualified beneficiaries to notify the COBRA administrator within 60 days of certain qualifying events.
- Election Notice:** Employees have 60 days to elect COBRA coverage.
- Premium Payments:** Employees or qualified beneficiaries have a 30-day grace period to make premium payments.
- HIPAA Special Enrollments:** Eligible employees may request enrollment for a HIPAA special enrollment event for 30 to 60 days (dependent on the event type).

Health FSA and Dependent Care Flexibility (Optional)

All options below must be communicated with your FSA administrator and finalized with plan amendments within the required timeframes.

- Carryover all unused funds from Dependent Care Account and/or Health FSA to 2021 and 2022 plan years.
- Extension of grace periods to 12 months after the end of the plan year for both 2020 and 2021 plan years.
- Permit terminated employees with remaining funds in their health FSA during 2020 and 2021 plan years to receive reimbursements for qualifying expenses incurred through the end of the plan year in which they were terminated.
- Increased maximum age of eligible dependents for use of Dependent Care Account funds to children up to age 14 (rather than 13) for 2020 funds.
- Permit Health FSA and Dependent Care Account participants to make prospective changes to their elections for plan years ending in 2021 without regard to change in status.



Click below for a more in-depth look at the following regulations:

- [Families First Coronavirus Response Act \(FFCRA\)](#)
- [Extended COBRA & HIPAA Special Enrollment Timeframes](#)
- [Health FSA & Dependent Care Flexibility](#)
- [COVID Relief Bill FAQ](#)
- [No Surprises Act](#)
- [Employer Vaccine Overview](#)
- [Proposed Changes Under EEOC ADA Wellness Rules](#)

Compliance Updates (continued)

No Surprises Act

Requires health plan members to only pay the in-network cost for certain emergency care and ancillary services when care is received out-of-network. In addition, health plans must include in and out-of-network deductibles and out-of-pocket maximum limitations on insurance ID cards issued to members.

Vaccine Regulations

The vaccine will present a number of workforce compliance challenges that have not been identified in regulation or legislation. Employers are highly encouraged to work with legal counsel to develop a stance and communication to relay to their employees. Employers have the ability to mandate inoculations that come from the U.S. Labor Department's Occupational Safety & Health Administration (OSHA) and the Equal Employment Opportunity Commission (EEOC). The EEOC issued guidance early on that employers with 15 or more employees should only "encourage" employees to be vaccinated.

PROPOSED Changes Under EEOC ADA Wellness Rules

The most important proposed change to the ADA wellness rules is the prohibition of incentives beyond de minimis incentives for any wellness plan that is not a health-contingent wellness program that is part of a group health plan or is itself a group health plan. ***This means that participatory wellness programs could not offer more than a de minimis reward.*** The proposed rule states that de minimis in this context means a reward like a water bottle or gift card of modest value and that a \$50 monthly premium incentive would not be de minimis. The rulemaking process is unclear at this time because the Biden administration has paused all rulemaking currently in process for further consideration.



2021 Compliance Webinars

January 14:

Forms 1094/1095 Employer Reporting

February 24:

New Transparency Rules

March 25:

Status Changes and Special Enrollments

April 22:

ERISA: Required Plan Documents/Distribution

May 27:

Basic Benefit Compliance for Public Employers

June 24:

ERISA: 5500 Basics for Completion and Filing

August 26:

ERISA: Fiduciary Obligations from MLR Rebates

September 23:

Medicare: A Timeless Topic

October 28:

Hidden Intricacies of Benefit Notices

November 18:

Continuing Conversation about COBRA

Additional webinars may be added for legislative changes, rulings, guidance, or other developments impacting employee benefits.

Brown & Brown and COVID-19

The Brown & Brown team is closely monitoring the outbreak. If you have any questions, please reach out directly to your service team. We're here to help.

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