

CPI LIGHTS

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Jon A. Cyganiak, CLU
President

The individual health insurance market is much different from what it was only a few years ago. Today many carriers offer closed panel HMOs. Coverage is not underwritten, but there are strict enrollment guidelines that must be adhered to. Premium credits and coverage reductions are available for those who qualify.

Whether purchasing on or off the exchange carriers are beginning to align themselves with specific provider networks to the exclusion of others. It is a business decision that is probably a long time coming. The cost of carriers contracting with all five provider networks in the Metro-Milwaukee and surrounding areas has become prohibitive. Contract discounts are less meaningful if everyone agrees to a similar reimbursement structure. Providers are more agreeable to deeper discounts if the overall provider pool is limited to one or two networks in a geographic area. Not to mention this has been common practice in many other parts of the country for quite a while.

The HMO product model has seen resurgence this year as well, making it more challenging for some to select a carrier. An open panel plan, such as PPOs or POS, provided reassurance if you wanted to see a provider who was out-of-network. However this model left itself open to unknown expenses for insurance companies. The HMO allows carriers to better project claims costs and makes it easier to hit their target minimum loss ratio (MLR) as specified by ACA.

Finally some insurance companies have made the decision to stop selling individual plans or to stop selling in specific areas. The cost of doing business has just become too high for some to stay in the individual market.

Thanks for continuing to read CPILights!

As always, if you would like to submit an idea or comment in writing you can reach me at:

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Regards,

Jon A. Cyganiak, CLU
President



TAXES AND THE AFFORDABLE CARE ACT

The following are reporting forms needed to verify a person's Minimum Essential Coverage (MEC) compliance under the ACA:

1095-A: Sent to individuals on subsidized plans, used to reconcile subsidy payments. Marketplace to mail in February 2016 for 2015 tax year.

1095-B: Sent to groups who have fully insured plans; Insurance Company mails to IRS with copies to employees. Due date for mailing form has been extended to March 31, 2016.

1095-C: Self-funded groups provide own reporting to IRS and applicable large employers (ALE) over 50 are responsible for sending copies to all their employees. Due date for mailing form has been extended to March 31, 2016.

Individuals/employees do not need to remit these forms with their 2015 tax return. However forms should be kept with all tax records as proof of coverage.

INSIDE:

- 2 Employee Benefits: Myths and Misperceptions
- 3 Life Insurance Awareness
- 4 Legislative Updates
- 5 A Case for the Health Savings Account

EMPLOYEE BENEFITS

Myths and Misperceptions

The small business owner has many hats to wear. Finding and retaining quality employees who perform key business functions can be challenging. Not to mention all the administrative constraints of taxes, concerns with a poor economy and the impact of the Affordable Care Act. It is a wonder that they are able to get business accomplished some days. With all the challenges they face sometimes it is hard to imagine adding another piece to fit into the every looming puzzle. But employee benefits are a large puzzle piece that can't be overlooked. Employee benefits are more than just medical insurance. Dental, vision, life and disability insurance all play an important role in creating a well-rounded benefits package that is a critical driver of employee productivity, loyalty and retention. Here are a few misnomers about these ancillary benefits and why you may want to re-evaluate your decisions.

1) Adding Ancillary Benefits Is Too Expensive

There is a cost associated with extra coverage. However there doesn't have to be. According to MetLife's 13th Annual U.S. Employee Benefit Trends Study over half of employees are willing to pay for coverage in order to have options that meet their needs. The study also found that "employees who are satisfied with their benefits are four times as likely to be satisfied with their job." This means less employee turnover which has its own costs.

2) Administration of Group Benefits Is Too Time-Consuming

Most small employers are their own HR department. But many insurance carriers can help with the administration of ancillary benefits. Consolidating lines of coverage with one or two companies cuts down administrative hassles. And relying on the services of your agent can also help alleviate time and work constraints.

3) Dental Insurance through the Workplace Isn't Important

Dental Insurance is a highly utilized benefit for employees. In addition to providing good oral health it also can help prevent other larger health complications like heart disease, osteoporosis and diabetes.

4) Benefits Won't Help My Company Attract Employees

A 2014 study from the Employee Benefit Research Institute found that 76% of employees feel benefits are a key factor in their decision to accept or reject a job offer. While only 29% of employers actually use their benefits package to recruit.

5) Benefits Won't Help Me Retain My Existing Employees

Offering ancillary benefits improves employee satisfaction and can prevent the competition from attracting your high-performing employees. CareerBuilder indicates that 58% of hiring managers, HR professionals and workers identified better benefits as the best way to improve employee retention.

Don't lose your key workers or prospects to the competition simply because you think offering more benefits will be too difficult. Offering dental, life, vision and disability insurance could be the best investment of money and time you have made into your business recently.



Source: www.metlife.com/smallbusiness: *Myths and Misperceptions: What Employee Benefits Can Do for Small Businesses*

FEBRUARY IS LIFE INSURANCE AWARENESS MONTH!



Steve Flewellen
Agent
CYGANIAK PLANNING INC

Life Insurance! What a fun topic. It is easy to gloss over; you have discussed it with your friends, and maybe you have even bought some. Here is my real life story and how it impacted me:

In July 2005 my mom died. I had just started working at Cyganiak Planning as a sales trainee after graduating from college the summer before. Luckily I already had other family members down in Tennessee to help set some things up when I set out to make funeral arrangements. A cremation was chosen and we had a service with a good number of people involved in her life. We had a pleasant space with food and it was a pretty nice reception. Once the whole thing was over the people in charge of the funeral home pulled me and my brother into a room and asked us how we wanted to pay for it.

I was just out of college, barely making ends meet and living off of \$1 McChicken sandwiches. Credit card bills, rent, car, student loans, trying to have a personal life... I had all my money spent even before I made it. Now I had to split the cost of my mom's

death expenses with my brother. Not only that, but there was little of value in the house my mom was renting. And guess what... my mom had no life insurance. Ironic I guess, since now I am an insurance guy.

According to an Insurance Barometer Study in 2015 between LIMRA and Life Happens more than 40% of Americans do not have life insurance. Now if you are just a single kid like I was, it really isn't that big of a deal, but if you have anyone you love at all you need to protect them and their way of life the best you can. Life insurance will provide that protection. It is the most cost effective way of assuring your family will not be hit with unexpected expenses and also to provide a lifetime pool of money to cover lost income.

Even if you are not married life insurance can provide an income stream to pay for funeral expenses and any other cost associated with an unexpected death. It sure would have made things easier for my brother and me when we were dealing with my mom's funeral.

IN THE SPOTLIGHT A WHO'S WHO IN SUCCESSFUL BUSINESS

Cyganiak would like to recognize the physical growth, as well as the accomplishments of our clients. If you are expanding your human resources or you facility, please let us know. If you are participating in some community outreach or volunteer effort, or have recently been recognized with an award please contact your agent (262-783-6161) and we will share your achievements with our readers.

IN THE SPOTLIGHT

The Milwaukee Business Journal has announced the winners of their 40 Under 40 awards program for 2016. This award honors up-and-coming leaders in southeastern Wisconsin. It is meant to recognize the hard work and dedication of these individuals and the difference they are making in the community. This is the 24th year the Business Journal has handed out these awards.

Adam Berger, co-owner of **Doering Leasing** in Brookfield.

David Matsudaira, owner of **Squire Fine Men's Apparel** in Brookfield is acquiring a stake in Seattle-based clothier Butch Blum, with the intent of acquiring a majority ownership during the balance of this year. Matsudaira and his wife are natives of Seattle. That, his strong business sense and his understanding of the Seattle clothier's standing in the Pacific Northwest lead to the deal. Squire will remain here in Brookfield after the Butch Blum acquisition has been completed.

RETIREMENT PLAN CONTRIBUTION LIMITATIONS



Joe Campagna, Jr.
Retirement Services
CYGANIAK PLANNING INC

The IRS released the 2016 cost-of-living adjustments for pension and other retirement plans. There are some new limitations that will impact those contributions this year.

- For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple's income is between \$184,000 and \$194,000, up from \$183,000 and \$193,000.

- The Adjusted Gross Income (AGI) phase-out range for taxpayers making contributions to a Roth IRA is \$184,000 to \$194,000 for married couples filing jointly, up from \$183,000 to \$193,000. For singles and heads of household, the income phase-out range is \$117,000 to \$132,000, up from \$116,000 to \$131,000.
- The AGI limit for the saver's credit (also known as the retirement savings contribution credit) for low- and moderate-income workers is \$61,500 for married couples filing jointly, up from

\$61,000; \$46,125 for heads of household, up from \$45,750; and \$30,750 for married individuals filing separately and for singles, up from \$30,500

For more specific information contact Joe Campagna Jr., at 262-783-6161.

Securities offered through H. Beck Inc. Member FINRA/SIPC.
Source: RBC Wealth Management

Account Type		2015 Limit	2016 Limit
IRA	Traditional and Roth IRA Contribution Limits	\$5,500	\$5,500
	Catch-Up Limit for Individuals 50 and Older	\$1,000	\$1,000
SIMPLE IRA	Elective Deferral Limit	\$12,500	\$12,500
	Catch-Up Limit for Individuals 50 and Older	\$3,000	\$3,000
	Maximum Employer Match (\$1 for \$1 on first 3% of employee compensation deferred)	\$12,500	\$12,500
	Maximum Employer Non-Elective Contribution (2% of employee's compensation up to \$265,000)	\$5,300	\$5,300
	Employer Catch-up deferral match	\$3,000	\$3,000
SEP IRA	Maximum SEP Contribution	\$53,000	\$53,000
	SEP Compensation Exclusion	\$ 600	\$ 600
401(k), SARSEP, 403(b) and Governmental 457(b)	Elective Deferral Limit	\$18,000	\$18,000
	Catch-up Limit for Individuals 50 and Older	\$6,000	\$6,000
	Highly Compensated Employee Limit (No requirement for 5% ownership)	\$120,000	\$120,000
Profit Sharing, 401(k) SEP and Money Purchase Pension	Employee Annual Compensation Limit	\$265,000	\$265,000
Profit Sharing, 401(k) and Money Purchase Pension	Defined Contribution Limit (415(c) limit)	\$53,000	\$53,000
	Top heavy Plan Key Employee Compensation Limit	\$170,000	\$170,000
	Maximum Annual Benefit at Retirement	\$210,000	\$210,000
Defined Benefit			

LEGISLATIVE UPDATES

FEDERAL

Open enrollment in the individual Marketplace is over for most people. However if you did not file your 2014 tax return yet, and are willing to do so now, you may have one more opportunity to enroll in individual coverage in 2016. People who did not file a 2014 tax return have until March 31st to do so and then enroll in the Marketplace for health insurance with any applicable tax credits. Those that had Obamacare in 2014 but dropped coverage in 2015 and were denied tax credit in 2016 for not filing their 2014 taxes will also be allowed to reapply for credits with the same deadline.



- Meet the SHOP Marketplace participation rate more easily.** Beginning in 2016, all employees offered coverage can be included in the participation rate, so long as they are enrolled in other forms of health insurance.
- Renew SHOP Marketplace coverage online, without having to fill out a new application.** We saved the information provided in the SHOP Marketplace application from year to year to make the renewal process simple and easy. All employers need to do is log-in, review the application, and update the account and offer of coverage as needed. SHOP Marketplace registered agents and brokers who are authorized can also help to complete the renewal online.

For more information on the SHOP Marketplace, please contact your agent or visit HealthCare.gov.

Source: Centers for Medicaid and Medicare Services (CMS)

Starting with coverage that takes effect after January 1, 2016, through the SHOP Marketplace small employers can:

- Offer employees more choices.** Through the SHOP Marketplace employers may offer a single health insurance plan, or let them select any plan within a coverage category.
- Choose an offering that meets their needs.** Through the SHOP Marketplace small employers can offer a health plan only, health and dental, or dental only.

Employers have been given a short reprieve on reporting required ACA information to the IRS about health insurance coverage for their employees. The deadline for furnishing 2015 Form 1095-C, or Form 1095-B, if applicable, to employees and individuals is **March 31, 2016** (extended from February 1, 2016)

The deadline for filing the 2015 Forms 1095-C along with transmittal Form 1094-C, or Forms 1095-B with transmittal Form 1094-B, if applicable, with the IRS is

- If filing by paper, **May 31, 2016** (extended from February 29, 2016).
- If filing electronically, **June 30, 2016** (extended from March 31, 2016).

THE CASE FOR HEALTH SAVINGS ACCOUNTS



Jon I. Cyganiak
Vice President
CYGANIAK PLANNING INC

The most important reason for owning a Health Savings Account, paired with an IRS qualified HDHP (High Deductible Health Plan) is the ability to use tax free dollars to pay for medical expenses.

For calendar year 2016 the total HSA contribution limit for both employers and employees is \$3,350 for individuals and \$6,750 for families. The catch-up contribution for individuals 55 and over remains the same at \$1,000, which can be added to the maximum individual contribution. Similar to a traditional individual retirement account (IRA), which offers special tax incentives for setting money aside, HSA holders are allowed to make before-tax contributions, and the earnings in the account accumulate tax-free. Employers can also contribute on behalf of employees up to the contribution limit. As long as account holders use HSA funds to pay for eligible medical expenses the funds can be withdrawn tax-free. In addition, any unused funds can be rolled over from one year to the next.

The HSA is a popular health insurance plan alternative that is considered to be more consumer-focused in how it covers medical costs. It has the potential to lower the overall cost of health care for the individual because it shifts the responsibility for choosing health care providers and services to the plan holder. Since plan holders are paying cash they are better positioned to negotiate more favorable prices for medical services. Many medical providers are happy to charge lower prices for cash payments.

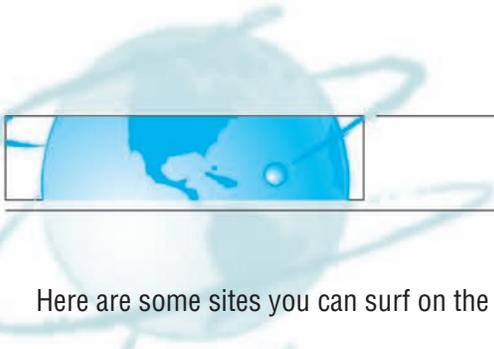
In addition, choosing an HSA based health insurance plan provides benefits that traditional plans cannot duplicate.

1) Ability to plan and save for retirement: The average couple will spend \$220,000 on healthcare expenses between age 65

and their final years according to Fidelity Investments. HSAs function as a retirement plan only better. Money goes in pre-tax and comes out tax-free. HSAs provide the tool to plan and save for retirement healthcare expenses.

- 2) Reward for good health: If an individual or employer puts money into an HSA and that money is not used the money is effectively a reward for good health. If managed properly over the long term the reward can be quite substantial at age 65 when the funds can be withdrawn for any use, not just medical. Keep in mind that non-medical uses will be taxed similar to IRA withdrawals.
- 3) Funds for personal wellness programs: HSA funds can be used tax-free to pay for nutritional counseling or weight loss programs.
- 4) Money to pay dental, vision and alternative care plans. Tax favorable dollars in HSAs can be used to pay for dental services, eye exams, glasses and contacts as well as alternative health providers.
- 5) Become a more prudent buyer of healthcare: People who have money in and HSA use their own money to pay for services and will often be more prudent shoppers. They will ask their doctor if a cost effective generic drug will work as well as a more costly brand name medication or be more inclined to look for cost effective providers for high cost services such as MRIs and other expensive radiological testing.

With the uncertainty surrounding traditional health insurance plans the HSA/HDHP plan remains an attractive alternative for people who want more control over their healthcare expenditures.



WEB SITES

Here are some sites you can surf on the net to find out more regarding your health insurance and health related matters.

<http://mobihealthnews.com/content/digital-healthcare-services-2016-and-beyond> – Industry leading trends for digital healthcare in 2016

<http://www.lifehappens.org/insurance-overview/life-insurance/calculate-your-needs/> – Life insurance calculator to help determine appropriate coverage