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Center for
Early Learning
Funding Equity
NORTHERN ILLINOIS UNIVERSITY

Employee Benefits: A New Framework and Tools to Get Us There

Presented to Quality and Workforce Committee

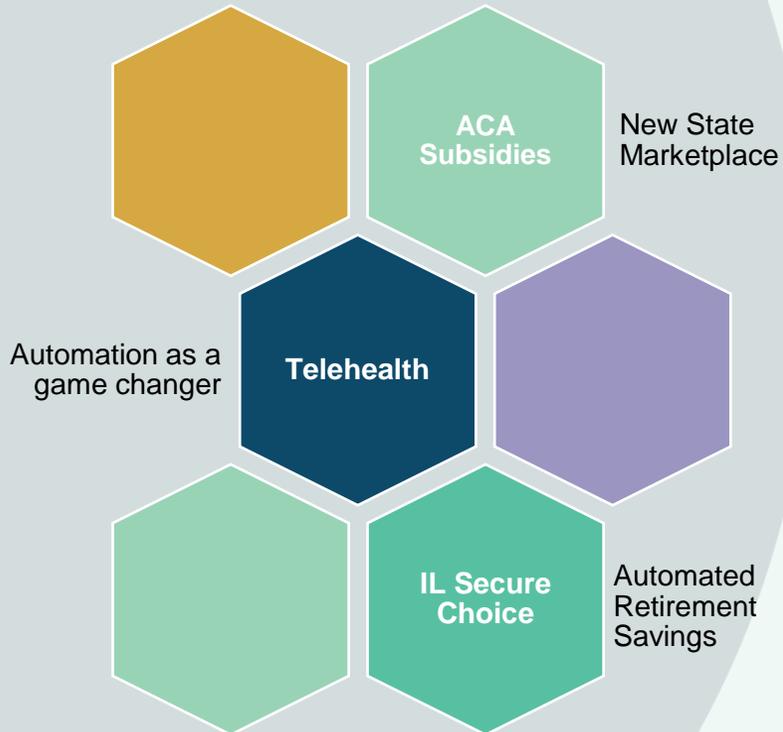
Illinois Early Learning Council

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Agenda

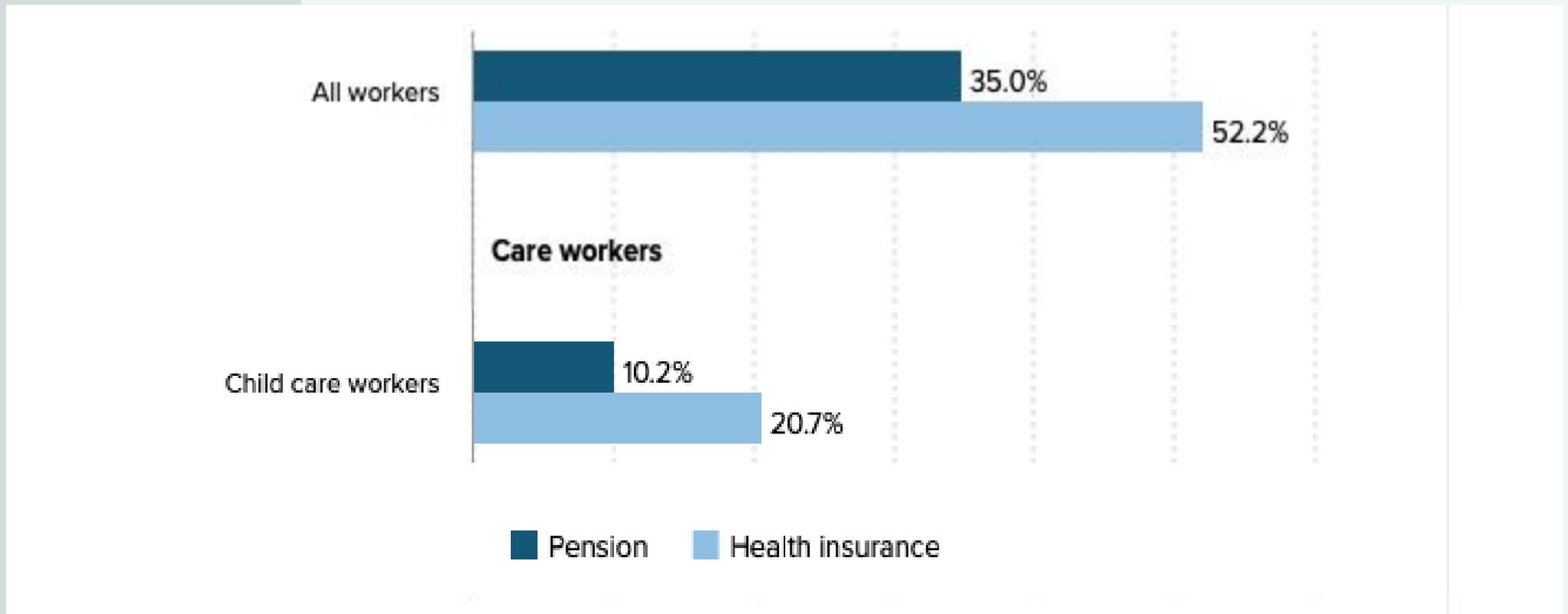
- **Changing Expectations: A New Framework**
- **Benefits Options**
- **Benefits Logistics**
- **Wrap Up/Resources**



Why Benefits? Why NOW?

- Professionalization of Field
- Parity with K-12 (unifying framework)
- Tight Labor Market
 - Competition for Educators is fierce
 - Supports Recruitment and Retention
- Educator health more tenuous than ever
 - Mental Health resources
 - Post pandemic trauma

Child care workers are less likely to have employer-sponsored health insurance and pension coverage



Source: [Economic Policy Institute: Higher Wages for Child Care and Home Health Care Workers](#)

Standards for ECE Employer Benefits

Competitive
Package

Employer
provides:

- ✓ Vision/Dental coverage
- ✓ Mental health services
- ✓ Paid Family/Medical Leave
- ✓ Short/Long Term Disability
- ✓ Life insurance
- ✓ Continuing Education benefit (tuition, etc.)

Employer Contribution to:

- ✓ Telehealth Services
- ✓ Health Savings Account (HSA) and/or
Individual Coverage Health Reimbursement Account (ICHRA)
- ✓ Retirement Account

- ✓ HR Policy that all employees required to have Health Insurance
- ✓ Employer provides access to ACA Marketplace Navigator (during work hours)
- ✓ Access to Retirement account with employee payroll deduction (opt out vs. opt in)
- ✓ Accrued Paid Time Off (Minimum of 2 weeks; increased over time/position)
- ✓ Paid planning time for Lead Teachers
- ✓ Employer participates in workforce initiatives (T.E.A.C.H., etc.)

Minimum
Standards

Access to Benefits Broker

through an Intermediary Organization

Central Agency Role	Program Director Role
Do the research to identify brokers who could service the population well (references from trusted partners)	Meet with central agency to understand the process and value of using benefits broker
Interview candidates; select best option for the Alliance (one broker/firm enables scaling)	Meet with selected broker and provide personnel information needed to price options
Work with program directors to understand the value proposition	Follow up for implementation

A Comprehensive Approach to Benefits Planning & Administration

Pricing Options via Broker

- Benefits broker works at no cost to employer
- Expertise to assist with pricing, affordability, and options
- Budget scenarios and forecasting to determine feasibility

Communicating to Employees

- Written documentation to ensure legal and equitable treatment of all employees (e.g.-HR Manual, Job Descriptions, Salary Scale, Benefits Summary)
- Emails, posted flyers, staff meeting announcements
- Individual counseling

Administering Benefits

- Systems (e.g.- automated timekeeping)
- Determining Eligibility
- Completing Enrollment
- Analyzing Use
- Assessing Value

Intermediaries/Networks can facilitate these services

Affordable Care Act (ACA)

A critical resource for the sector

- New Investments at the Federal Level heavily subsidize the monthly premium for most low-moderate wage earners
- Expanded eligibility (affordability test)
- Navigators assist individuals at no cost to employee/employers
- **Open Enrollment period: *November 15 - January 1***
(varies slightly by state)

Taking Advantage of NEW Health Insurance Subsidies through the ACA



Age: 42
Location: Springfield, IL
Household Income: \$33,800
(\$16.25/hr.)
Monthly premium: \$111/mo.
Without subsidy: \$651



Age: 30, 7
Location: Williamson Co., IL
Household Income: \$27,040
(\$13/hr.)
Monthly premium: \$0/mo.
Without subsidy: \$1,100/mo.



Ages: 37, 39, 11, 6
Location: Chicago, IL
Household Income:
\$61,000/50,000 = \$111,000
Monthly premium: \$786/mo.
Without subsidy: \$1189/mo.

Scenarios generated from [Kaiser Family Foundation Subsidy Calculator](#) assuming a Silver Level Health Plan

www.healthcare.gov

Taking Advantage of NEW Health Insurance Subsidies through the ACA

- Marketplace plans are purchased by an **Individual** (vs. Employer)
- Program directors can facilitate access to Marketplace by engaging a **Navigator** (free of charge)
- Employers can **supplement employee health care costs** with a Health Reimbursement Account (HRA), Telehealth plans, and other benefits like short/long term disability coverage
- Employers **should engage a broker** to assist in identifying additional health related benefits

Open enrollment: Nov. 1 - Jan 15

Less than 50 employees (FTE)

- No legal requirement to provide health insurance
- No penalty for staff who purchase ACA Marketplace policies
- Should be paired with other device
 - Health Reimbursement/Savings Account (HRA/HSA)
 - Individual Coverage Health Reimbursement Account (ICHRA)

More than 50 employees (FTE)

- Pay a “fair share” penalty for staff who purchase a plan on the Marketplace
- “A” Penalty – Offer NO health insurance
 - \$2,750/employee per year (first 30 employees exempt)
- “B” Penalty – Offer a plan; if it is deemed “unaffordable”, staff purchase ACA plans
 - Affordability defined as 9.12% household income
 - \$4,120 per year for each employee that uses the ACA

All programs should use the

services of a Benefits Broker

Results from a child-serving agency with 150+ employees

- In 2016, Spending \$350,000/year on health insurance
- Significant number of staff "opted out" because it was too expensive
- Encouraged staff to move to ACA and contributed toward health care cost
- Organizational expense reduced to \$200,000
- More staff received more coverage and help with medical expenses

Significant savings More staff covered

- In 2023 they plan to shift to "B" Penalty and move to ICHRA
- Expect to reduce penalty to approximately \$60,000 for the year
- The program assisted by a private insurance broker working to help them understand rules and maximize benefit
- Take away: Don't do this alone – find a broker who shares your mission and let them be your experts!



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Leveraging the ACA for Child Care

Washington state



washington
healthplanfinder

click. compare. covered.

Health Care Premium Assistance for Employees of Child Care Facilities

Employees of licensed child care facilities throughout Washington state may qualify for health insurance coverage for \$0 monthly premiums through *Washington Healthplanfinder*.



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 Other Languages English - English ▾

Leveraging the ACA for Child Care

Washington D.C.

HealthCare4ChildCare Through DC Health Link: Affordable health coverage for early childhood providers and their teams

HealthCare4ChildCare:

- Helps OSSE licensed child development centers and homes provide affordable group health insurance for their employees through DC Health Link's Small Business Market (SHOP).
- Free and lower premiums are guaranteed for a full year once a resident or employer enrolls.
- Learn more about [HealthCare4ChildCare Through DC Health Link](#).

Free or lower premium health insurance coverage



DC Health Link emailed all OSSE licensed child development centers and homes in October. **If you did not receive an email,** please email us at HealthCare4ChildCare@dc.gov or [schedule time](#)  with us.



Illinois Health Benefits Exchange Law

House Bill 0579 will transition Illinois from Healthcare.gov to a state platform by Plan year 2026

- The Director of Insurance may elect to add a small business health options program (SHOP) to the Illinois Health Benefits Exchange to help small employers enroll their employees in qualified health plans in the small group market. The General Assembly shall appropriate funds to establish the Illinois Health Benefits Exchange
- There is created a special fund within the State treasury to be known as the Illinois Health Benefits Exchange Fund. .. shall be the repository for moneys collected pursuant to fees or assessments on exchange issuers, federal financial participation as appropriate, and other moneys received as grants or otherwise appropriated for the purposes of supporting health insurance outreach, enrollment efforts, and plan management operations through an exchange.



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Comprehensive Health & Wellness Benefits

Giving staff the tools to
manage their health and well
being



Health Plan Comparison

Flexible Spending Account (FSA)	Health Reimbursement Account (HRA)	Qualified Small Employer Health Reimbursement Account (QSEHRA)
Offered by an employer to give employees a tax-free way to save on medical and dependent care expenses not covered by the health plan	Employer-funded account that reimburses employees and/or retirees for out-of-pocket medical expenses. The employer can decide which services will be reimbursable under the HRA plan	Employer-funded account that reimburses employees and/or retirees for individual health coverage premiums and/or most eligible medical expense as defined in the Internal Revenue Code (IRC) Section 213(d)

Individual Coverage Health Reimbursement Account (ICHRA)	Excepted Benefit Health Reimbursement Account (EBHRA)	Health Savings Account (HSA)
Beginning in 2020, employer-funded account that reimburses employees and/or retirees for individual health coverage premiums and/or most unreimbursed eligible medical expenses as defined in the Internal Revenue Code (IRC) Section 213(d)	Beginning in 2020, employer-funded account that reimburses employees and/or retirees for unreimbursed eligible individual health coverage medical expenses (except premiums) as defined in the Internal Revenue Code (IRC) Section 213(d)	Tax-advantaged medical savings account available to taxpayers who are enrolled in a qualified high-deductible health plan (HDHP).

Example: Health Reimbursement Accounts (HRA)

- HRAs allow employers to reimburse medical expenses for employees and family members.
- For FCCs, this is a strategy to take personal medical expenses and convert them to business expenses - with significant, positive tax consequences.
- Allowable expenses:
 - insurance deductibles and copays,
 - health insurance and long-term care premiums,
 - dental health/surgery, prescriptions,
 - vision health and eye glasses,
 - lab fees, psychiatric care, speech therapy, infertility treatment, and more!

Telehealth and other Options

- ✓ [ECEShared Resources](#) – membership on the platform allows access to “Docs by Phone”, a national telehealth option at incredibly affordable rates
- ✓ [Vitable](#) – an affordable direct primary care (DPC) option with telehealth available in some states (to be paired with a major medical plan)
- ✓ [Learn more about Telehealth](#) – Healthcare.gov has good information and links to find telehealth providers



Access to primary and mental health care is critical for educators and their families!

Retirement Benefits

- Most individuals will need up to 80% of their preretirement income to maintain their standard of living once they stop working.
- That means if you are making \$35,000 today, you will need to have \$28,000 a year from when you retire onward.
- Average benefit paid by the Social Security Administration is only \$14,400 a year, leaving a large gap for many people to retire comfortably.

The importance of saving NOW

Retirement Accounts: Compound Interest

*Employee contributes \$100/month; Employer matches w/
\$100/month; At 6% interest, compounded monthly*



Good financial advisement for employees can make a difference



Parity with public school teachers means supplementing Social Security with a retirement plan

- But it is important to note that the gap is not overwhelming!
- Public school teachers do not receive Social Security, and current Tier II benefits are low, especially for teachers who do not stay in system more than 20 years
- A similar retirement income can be gained by combining Social Security with a defined contribution plan with both the employee and the employer contributing about 3%
- The portability of Social Security plus a defined contribution retirement plan can be a big benefit for those who may move in and out of the workforce or change careers

Pooled Employer Plans (PEPs)

- Setting Every Community Up for Retirement Enhancement (SECURE) Act allows for the establishment of multi-employer retirement savings plans.
- Pooled Employer Plans (PEPs) can reduce employer costs and allow employees access to a more robust set of investment offerings.
- Participating in a PEP can be much less complicated than implementing a single-employer retirement savings plan. Many investment companies now offer these PEPs, and
- There is a tax credit of up to \$5,000 available for employers establishing a new retirement plan.

Even the smallest business can now support retirement benefits!



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Automated Savings Accounts

SECURE: Setting Every Community Up for Retirement Enhancement



- All employers in Illinois with 5 or more employees will eventually be required to participate if they do not have another qualified retirement plan for their staff
- Saving is the “default” option
- Employers provide access to savings accounts for employees
- Payroll deduction (no employer contribution)
- Employees can adjust the % of savings or opt out

[Learn more: Automated Savings Accounts](#)

Retirement Benefits Strategies

- **Include the cost of employer retirement contributions in cost modeling.** Employer retirement contribution of approximately 3% should be included in any model of the cost of providing child care services.
- **Spread awareness of the new Illinois Secure Choice Savings mandate among child care providers.** The program's gradual roll-out may mean that many child care providers will not be required to participate for a few years, knowing that the requirement is coming may spur many providers to act sooner to set up a qualifying retirement plan for their employees.
- **Provide technical assistance and incentives for child care providers to join a Pooled Employer Plan for retirement benefits.** For example, the State could provide small grants (perhaps matching the amount of the federal tax credit) to providers that join one of these plans and who provide a minimum level of employer contribution to the plan.



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www.oppex.org

