



Opportunities  
Exchange

# Employee Benefits: A New Framework and Tools to Get us There

*Compensation Webinars Part II*

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Exchange | November 22, 2022*



# Agenda

- **The Importance of Benefits**
- **Benefits Options**
- **Benefits Logistics**
- **Wrap Up/Resources**

***Let's begin!***



# We Believe...

- Every director deserves an administrative team.
- Every teacher deserves pedagogical leadership.
- Every child deserves a reflective teacher.



### 403b & 457b

Tax-sheltered savings plans



### Life Insurance

Basic and supplemental  
coverages



### COBRA

Post-employment medical  
coverage



### Mental Health and Well being

Access mental health services

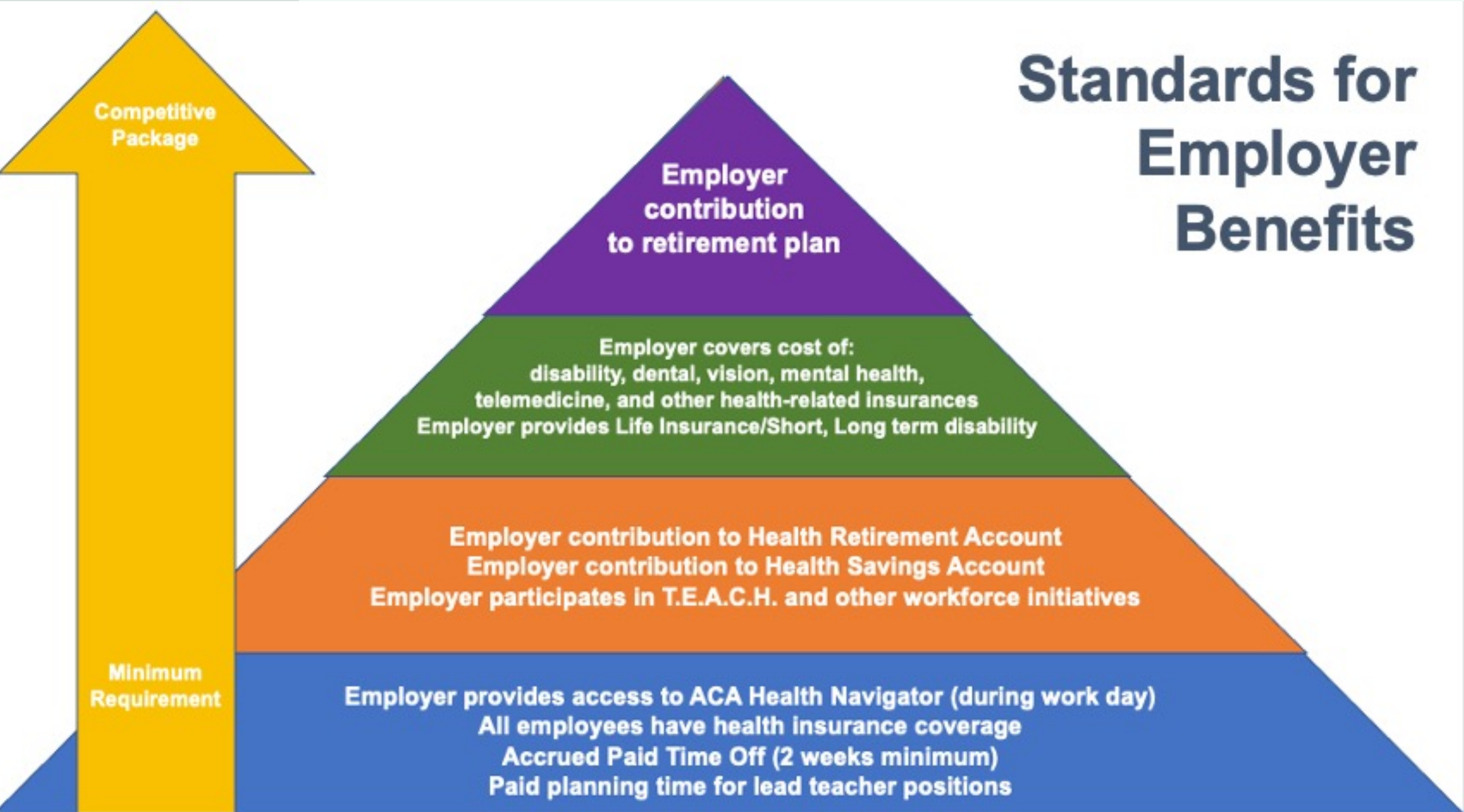


### Diabetic Supplies

# Why Benefits? Why NOW?

- Professionalization of Field
- Parity with K-12
- Tight Labor Market
  - Competition for Educators is fierce
  - Supports Recruitment and Retention
- Covid, Respiratory Illnesses, and Stress
  - Educator health more tenuous than ever

# Standards for Employer Benefits



Competitive Package

Employer contribution to retirement plan

Employer covers cost of:  
disability, dental, vision, mental health,  
telemedicine, and other health-related insurances  
Employer provides Life Insurance/Short, Long term disability

Employer contribution to Health Retirement Account  
Employer contribution to Health Savings Account  
Employer participates in T.E.A.C.H. and other workforce initiatives

Minimum Requirement

Employer provides access to ACA Health Navigator (during work day)  
All employees have health insurance coverage  
Accrued Paid Time Off (2 weeks minimum)  
Paid planning time for lead teacher positions

# A Comprehensive Approach to Benefits Planning & Administration

## Pricing Options

- Benefits broker with professional expertise to assist with pricing, affordability, and options
- Benefits broker works at no cost to employer
- 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

***Some Shared Service Alliances are outsourcing to an HR firm***

# Benefit Options

- Paid Time Off (PTO)
  - Holidays
  - Sick leave
  - Personal leave
  - Vacation
  - Parental leave
  - Bereavement leave
- Medical Benefits
  - Health insurance
  - Dental insurance
  - Vision insurance
  - Primary/Mental health Telemedicine
  - Prescription coverage
- Expense Reimbursement
  - Health Reimbursement Account
  - Health Savings Account
- Short term disability insurance
- Long term disability insurance
- Life insurance
- Retirement instruments
- Paid planning time
- Paid release time for approved professional development and education
- Tuition assistance/staff development
- Contribution toward membership in approved professional organization
- New Idea: Free/reduced child care through CCDBG subsidy, child care staff as categorically eligible (Kentucky)



# Pricing Benefits

- What is available?
- What does it cost?
- What can I afford?
- Understand “hidden cost” benefits
  - Discounts (including child care for staff)
  - PTO – cost of substitutes



# The Benefits of a Benefits Broker!

- Benefits brokers are specialists who understand the market
- Broker works free of charge to employer
- Employer is under no obligation to purchase the benefits priced
- Some benefits can be paid through pre-tax dollars.

# Access to Benefits Broker

## *for a Shared Service Alliance*

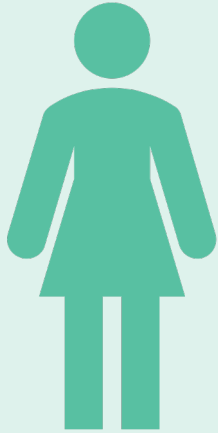
Hub Role	Program Director Role
Do the research to identify brokers who could service the population well (references from trusted partners)	Meet with Alliance leaders to understand the process and value of using benefits broker
Interview candidates; select best option for the Alliance (one broker/firm 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

# Affordable Care Act (ACA)

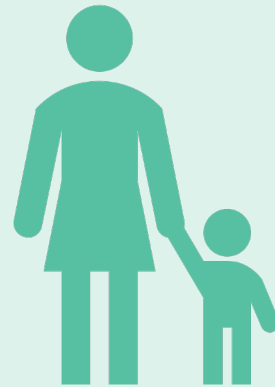
*A critical resource for the sector*

- 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: NOW** (*exact dates vary by state but typically end on 12/31*)

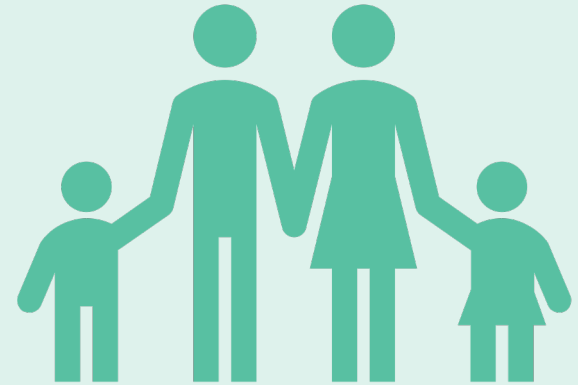
# Taking Advantage of NEW Health Insurance Subsidies through the ACA



Age: 35  
Location: Denver, CO  
Household Income: \$30,000  
Monthly premium: \$71/mo.



Age: 27, 5  
Location: Atlanta, GA  
Household Income: \$30,000  
Monthly premium: \$14/mo.



Ages: 37, 39, 11, 6  
Location: Des Moines, Iowa  
Household Income: \$65,000  
Monthly premium: \$183/mo.

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

# 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: NOW thru December 31***

## Less than 50 employees (FTE)

- No legal obligation to provide health insurance
- No penalty for staff who purchase ACA Marketplace policies
- Should be paired with other device
  - Health Reimbursement Account (HRA)
  - 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 that is “unaffordable”
  - 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 on health insurance for large “child serving” organization
- 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!

# Access to ACA Health Navigation *for a Shared Service Alliance*

Hub Role	Program Director Role
Identify navigator resources on behalf of Alliance	Follow up with navigator to schedule on-site meeting opportunities
Assist program leaders in establishing contact with navigators	Provide time off-the-floor for staff to meet with navigators (paid time)
Follow up for troubleshooting issues	Follow up with staff to address concerns

***Health plans are individual to each staff member – but leaders can facilitate the transaction***



# Telemedicine Options

- ✓ [ECEShared Resources](#) – membership on the platform allows access to “Docs by Phone”, a national telehealth option at incredibly affordable rates
- ✓ [Vitable](#) – an affordable primary care 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!***

# 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!

# Steps to creating an HRA

- Employer determines how much to contribute to the HRA and when
  - This is a tax-deductible, business expense
- Employer creates plan Document
- Employer communicates benefit to employees, including requirements for submitting documents (complete a form, submit online, attach receipt, etc.)

- Employee pays for a medical expense
- Employee submits documentation of expense
- HRA reimburses employee's expense
- Business reporting to IRS is required annually (Form 720)

# HRA vs. Health Savings Account (HSA)

HSA	HRA (Section 105 Plan)
Must be paired with a high-deductible plan	Can be offered with or without offering insurance
Contribution limits are set by the government and are capped at \$3,650 for single employees and \$7,300 for married ones	The upper limit is set by the business owner and can be at any level
Owner needs to contribute to the annual limit even if funds are not used in a given year	Owner only pays for submitted reimbursements up to the annual limit.
Narrow number of eligible expenses focused on medical services	Can include a broad array of physical and mental health services and other costs such as prescriptions and medical devices
Greater recordkeeping requirements	Easier to implement

[Learn more about HRAs](#)

# HRA Plan Design, Administration, and Tax Documentation Support *for a Shared Service Alliance*

Hub Role	Provider Role
Provide technical assistance to establish their plans: determine plan parameters, drafting/finalizing plan document and the form for each participating employee.	Meet with Alliance leaders to understand the process and value of HRAs
Administer plans: creating a process for expense reimbursement submission; reviewing and approving/denying expense reimbursement requests and accompanying documentation.	Budget for employer contribution; inform staff and facilitate setting up accounts
Assist employers with federal tax filings to maximize benefit from offering this benefit	Support staff as needed



# 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 Account Terms

## Employer match

Amount an employer puts in an employee's retirement account based on how much the employee contributes. For example, an employer match of 50% means that if an employee put in \$100, the company would add \$50 for a total of \$150

## Vesting

Amount of time it takes for an employee to entirely own an employer match or contribution to their retirement. Usually this is based around how long they continue to work for the company as an incentive to stay

## Catch-up contributions

Most retirement accounts allow for additional contributions for employees over 50 to help them “catch up” on their retirement savings

# Retirement Accounts: Tax Advantages

- **Pre-tax** retirement account
  - Deposits are not taxed when you make them, but the withdrawals in retirement are
  - You will not pay taxes on any amount invested into the account, which can help reduce your annual income taxes
  - When you withdraw funds once you stop working, you'll pay taxes on them then
- **Post-tax** retirement account
  - You are taxed on your deposit now but are not taxed on the interest you accumulate and the money you withdraw upon retirement.
  - For example, if you deposited \$1,000 in 2022, you would be taxed on it this year. But when you retire, the withdrawal would not be taxable income.

***Expertise is needed to guide decisions***



# Retirement Accounts: Compound Interest

*Employee contributes \$50/month; Employer matches w/ \$50/month  
At 6% interest, compounded monthly*



***Start early – contribute regularly – small amounts add up!***

# Benefits Affordability

- Budget Scenarios & Forecasting
- Consider how a reduction in the cost of staff turnover from more generous benefits affects the long-term cost
- Consider scenarios that incentivize retention by prioritizing benefits that staff most value (exception – younger staff may not understand the value and importance of retirement, help educate them!)

***Shared Service Alliance Business Coaches can help member providers with this work***

# Benefits Logistics

- Communicating to Employees
- Administering Benefits
- Tracking benefit take-up among employees
- Analyzing impact on recruitment and retention

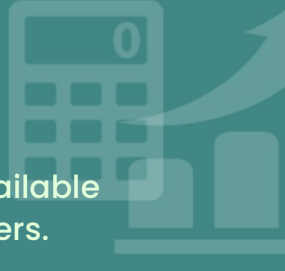
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# Related Resources

## Financial Management Toolkits

The OppEx Financial Management Toolkits are available for use in supporting business practices of providers.



### [Financial Management Toolkit.](#)

*Resources for improving compensation in Center and Home base Programs*

### [Center Budget Template](#)

### [Child Care Management Software](#)

### [Salary Scale Template](#)

### [Civitas Strategies Early Start](#)

***Seek expertise needed!***

## Up Next:

[Beyond Wages and Benefits: What Makes Teachers Stay, Grow, and Thrive? \(session 3 of 3\)](#)

Tuesday, December 13, 2022

1:00 PM 2:30 PM

- [Affordable Care Act](#)
- [ECE Shared Resources \(manuals, etc.\)](#)
- [New Benefits for Child Care Employees](#) (*Subsidized child care for cc staff in Kentucky*)



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