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Benefit Plans

Topic: Reducing the Burden and Increasing the Effectiveness of Mandated Disclosures with Respect to
Employment-Based Health Benefit Plans in the Private Sector

Benovation is a Healthcare Third Party Administrator, and is a subsidiary of CAI Insurance Agency, Inc. (CAI). Benovation administers self-funded health plans, health reimbursement arrangements (HRA's) and flexible spending accounts (FSA's) for small and large employers. CAI serves as a broker for fully insured and self-funded employer sponsored health plans for groups of all sizes. It's with this background that I hope to provide insight regarding the topic of "Reducing the Burden and Increasing the Effectiveness of Mandated Disclosures with Respect to Employment-Based Health Benefit Plans in the Private Sector.

This introduction will be intentionally brief – first to permit my co-panelists due time, and second, to permit for a robust question and answer session. I applaud the initiative to improve the effectiveness and efficiency of mandated notices that must be issued to Plan beneficiaries. Every stakeholder takes seriously the responsibility to make sure Plan beneficiaries have everything that they need to access their benefits and understand their rights. In theory, making all of this information available and mandating its distribution is a critical step to achieving this stated objective. In practice, however, it is clear that beneficiaries are overwhelmed, and largely disregard, these lengthy, mandated and complicated documents – only to request (or seek on-line) copies at dates when they are applicable to their lives.

Despite best intentions, Summary Plan Descriptions (SPDs) and Plan Documents are complicated legal documents. Plans must have a grounds with which to 1. Provide details regarding the operation of the Plan (exclusions, inclusions, eligibility, etc.); 2. Defend itself against litigation; and 3. Satisfy regulatory audit. It is a practical impossibility to achieve these three goals with "simple" language understandable by many Plan beneficiaries. As an example, a combined SPD/Plan Document typically exceeds 100 pages when utilizing common size 12 font. The description of eligibility and termination now exceeds ten pages now that the Affordable Care Act's measurement and stability periods are often utilized to determine when an employee is eligible to enroll. Anything that can be done to simplify this process for beneficiaries will not only lead to a more informed public, it will lead to more satisfied Plan participants.

Recommendations for simplification:

Summary Annual Report (SAR) – the Summary Annual Report requirement is ineffective and wasteful. When it is considered that many struggle to identify a Balance Sheet, much less read and interpret one, it should be obvious that the SAR as currently constructed is useless to its intended audience.

Modification of Summary Plan Description to include short reference tool – This could be an effective method to improve beneficiary education and retention of plan operational terms if combined with more efficient mechanisms of making the SPD/Plan Document available when necessary. In addition, there should be a safe harbor for combined Wrap/SPDs.

Consolidation of various annual notices into a single annual notice – this will not only simplify matters for beneficiaries, but improve efficiencies and reduce cost for Plan Sponsors. This will also make it easier for Plan Sponsors to comply, and more importantly – achieve the objective of notice requirements in the first place.

Consolidation and simplification of electronic delivery – the current electronic delivery requirements are convoluted, inconsistent, and cumbersome to administer leading many Plan Sponsors that would otherwise be able to use this cost effective method to “manage their risk” by reverting to old school paper. Simplification will improve adoption and the efficacy of the communication

Summaries of Benefits and Coverage (SBCs) – SBCs have not been well received by Plan Sponsors nor Plan beneficiaries. Absent complete revision, they are ineffective and do not achieve their purpose. They are not a suitable substitute for Plan open enrollment educational materials. Therefore, Plan Sponsors seem them as duplicative and beneficiaries do not view them to add to their understanding of how their plans operate.

Form 5500 Proposed Schedule J – The proposed Schedule J update to the Form 5500 filing is confusing and overly burdensome. Significant steps must be taken to clarify the information requested to avoid making the data received useless. In addition, the attestations regarding compliance appear to be a “trap” for Plan Sponsors

These represent a few steps that can, in my opinion, be taken to achieve the objective of reducing the burden on Plan Sponsors, while improving the results of Plan communications intended to empower Plan beneficiaries.

Respectfully submitted,

Kevin Schlotman