Employee Benefits Report

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Annual Health FSA Contribution Limit to Increase in 2023

On October 18th, the IRS announced that the annual contribution limit in 2023 for health flexible spending accounts (health FSAs) will be increased to $3,050 — double the $100 increase from 2021 to 2022.

The maximum carryover amount is also rising. If an employer's plan allows unused health FSA amounts to be carried over to the following year, the amount will now be $610.

Healthcare Flexible Spending Account Limits Rise

A flexible spending account (FSA) is a type of salary reduction account that allows individuals to

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How Employers Can Use Benefits to Protect Employees from Inflation

As inflation continues to impact the economy, many employers are trying to help employees with their finances by developing inflation-resistant benefit packages.

Student Loan Repayments

Offering student loan repayment programs helps employees pay down debt and improve their financial security. This benefit is especially appealing to younger workers whose salaries may not keep up with inflation.

Tax-Advantaged Accounts for Healthcare Expenses

Providing tax-advantaged healthcare accounts such as

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set aside pre-tax money from their pay checks each month for health, dental and vision care expenses such as doctor's visits and prescriptions not covered by insurance.

Limited-purpose FSAs, which can only be used to pay for vision and dental expenses, are also subject to new contribution limits. These types of FSAs can be used with health savings accounts (HSAs).

The IRS increased 2023 HSA contribution limits in April, so that individuals can contribute a maximum of $3,850, while families will be limited to $7,750.

Employers should review communications related to open enrollment materials so they can include accurate information about the new limits and any other updates made since last year's open enrollment process ended.

Employer Contributions to Health FSAs

Employers also have the option to contribute to employee health FSAs. These employer contributions are in addition to the IRS limit.

However, there are some limitations on how much employers can contribute based on employee contributions. For instance, if an employee does not contribute to a health FSA, an employer can still contribute up to $500, but beyond that, the employer can match employee contributions up to the $3,050 limit.

Increases Do Not Apply to Dependent Care FSAs

These increases do not apply to dependent care FSAs. The dependent care FSA (DC-FSA) allows eligible taxpayers to set aside a portion of their income to pay for qualifying dependent care expenses.

The maximum annual contribution limit for a DC-FSA is $5,000 for single taxpayers and married couples filing together or $2,500 for married people filing separately. The contribution limit is set by the IRS and is not indexed for inflation.

Commuting Benefits Increases

The IRS has announced that the limit on qualified transportation benefits will be increased $20 per month in 2023. Therefore, the new monthly limit for transit passes and van pool services will be $300, and the limit for qualified parking will also be $300.

Under current law, employer-funded parking and mass-transit subsidies are tax-exempt for employees. Employees can also use pre-tax income to pay their own mass transit or workplace parking costs through an employer-sponsored salary deferral program.

Adoption Benefits Rise

For 2023, the maximum amount an employer can subsidize for eligible child-adoption expenses that can be excluded from an employee's gross income is $15,950, up from $14,890 for 2022.

The adoption tax credit is a non-refundable credit available to taxpayers who adopt a child. The credit is designed to offset the costs of adoption, including agency fees, court costs, attorney fees, and travel expenses. It does not cover expenses involved in an employee adopting a stepchild.

The amount that can be excluded phases out for taxpayers with modified adjusted gross incomes (MAGI) of more than $239,230 and is not available for those with MAGI above

HSAs, FSAs, and HRAs can help employees cover medical costs and protect them from inflation pressures. These accounts allow employees to set aside pre-tax dollars for qualified medical expenses and help reduce out-of-pocket costs.

Direct Relationships with Healthcare Providers

Going through insurance companies often means paying more than necessary for healthcare services. By establishing direct relationships with healthcare providers, self-insured employers can help employees reduce medical expenses and limit their exposure to inflationary pressures.

Matching Contributions

Matching employee contributions for retirement, healthcare, student loan repayment, and other benefits obviously helps employees, but these employer contributions are also deductible as long as they are within the applicable limits.

The Section 125 Plan

The Section 125 plan allows employees to convert taxable benefits into tax-free benefits. By implementing a Section 125 program employers help employees pay for various expenses, including healthcare premiums, childcare costs, and retirement contributions with pre-tax deductions.

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$279,230. These amounts are valid for 2023 and are adjusted annually.

Qualified Small Employer HRA Limits Increase

Qualified small employer health reimbursement arrangements (QSEHRA) also saw an increase for 2023. The maximum annual limit for QSEHRAs is $5,850 for individual coverage and $11,800 for family coverage.

QSEHRAs are employer-funded health reimbursement plans that enable small employers to provide their employees with tax-free funds in order to buy individual health policies, though the money can also be used to pay for out-of-pocket health care expenses.

The QSEHRA is available to small employers with fewer than 50 full-time equivalent employees. These employers must not be offering group health insurance to their employees and must comply with other requirements.

How to Encourage Employees to Use Mental Health Resources

Stressors in the workplace can have a profound impact on mental and physical health. The Deloitte Mental Health 2022 Report revealed that more than 80% of respondents experienced at least one adverse mental health symptom.

While these figures are alarming, business organizations have stepped up to provide employees with the mental health support they need. Seven in 10 workers believe their employer is more concerned about employee mental health now than in the past, according to the results of APA's 2022 Work and Well-being Survey.

However, research also reveals that 55% of US employees haven't taken advantage of available mental health resources. To bridge this gap, employers should create a culture that promotes help-seeking behavior where employees are encouraged to seek help for any issues they may be experiencing.

The Role of Leaders

Leaders play an essential role in creating a culture of help-seeking behavior. It is their responsibility to ensure that employees feel safe and supported when seeking help and to encourage them to do so.

Providing a wide range of mental health resources isn't enough if employees don't feel comfortable reaching out. Leaders should ensure that their organization's culture encourages help-seeking behavior and that mental health issues are openly discussed without fear of judgment or repercussions.

Leaders should "lead" from the front, be vocal about the importance of mental health

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and well-being, and demonstrate their commitment by seeking help themselves. This will set an example for other employees and enable them to seek help without feeling ashamed or embarrassed.

Creating Grassroots "Mini Cultures"

Creating grassroots "mini-cultures" or groups can imbue a sense of community and support among employees. These mini-cultures allow employees to discuss and share their experiences with mental health issues in a non-judgmental environment. They also provide a platform to seek help from their peers.

By creating a space for these critical conversations, organizations can normalize help-seeking behavior and start to chip away at the stigma around mental health. When employees see that their peers are actively seeking help and engaging in open conversations about mental health, they, too, may become more likely to access resources for themselves.

Provide Industry-Relevant and Culturally Competent Support

Since they don't have the expertise on staff, many organizations have no option but to outsource mental health resources. This can be problematic if the vendor isn't aware of cultural competence or how to provide resources relevant and tailored to the specific industry.

While finding the "perfect" provider may be difficult, it helps if employers provide vendors with industry-specific resources and culturally competent information. Providing personalized details of what helps or hinders employees in their specific industry can help vendors provide better resources and support.

Communicating Effectively

Organizations must ensure that employees are aware of the mental health resources available.

Employers should use a variety of communication channels to get the message out, including email, posters, intranet, newsletters, and staff meetings. Each communication channel should be tailored to the different demographic groups in the company.

Providing Multiple Types of Resources

Both high-tech and low-tech approaches work best.

High-tech resources include online counseling, mental health apps, and remote therapy. For example, free access to meditation and mindfulness apps can help employees manage stress and anxiety.

Low-tech resources can include in-person therapy, support groups, peer-to-peer mentoring programs, and workshops. For example, as part of the peer support groups, organizations could implement strategies to allow employees to request additional mental health support from their peers.

Mental health is a critical issue that should be addressed in the workplace, but employees need to feel comfortable seeking help. By providing the right resources, creating grassroots "mini-cultures," and providing culturally competent support, employers can help employees feel comfortable accessing the resources they need. ■

Employers Can Help Employees Overcome Burnout with Sabbaticals

Burnout is a real issue for many employees today. According to the 2022 Deloitte Mental Health Report, 55% of employees reported experiencing burnout, which is not good news for employers. In addition, Mercer's 2022 Inside Employees' Minds study revealed that burnout due to a demanding workload is one of the top factors for employees considering leaving their job.

Sabbaticals are one way for employers to help employees overcome burnout and keep them in the organization.

What Is a Sabbatical?

A sabbatical is a planned period of extended time away from work, usually lasting a few weeks or months. During this break, employees are free to do whatever they want – relax, learn something new, travel abroad, or explore their interests and hobbies. The sabbatical can be paid or unpaid, depending on the employer's policy.

Employers can benefit from sabbaticals because they help reduce employee burnout and help maintain morale. Retention rates are also likely to increase with employees less likely to quit or retire if they can get a break from the pressures of their job.

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For employees, a sabbatical provides an opportunity to recharge and come back to work with renewed energy and enthusiasm.

How to Create an Effective Sabbatical Program

Here are some tips for creating an effective sabbatical program:

Determine the Purpose

Organizations should consider how their sabbatical program benefits themselves and their employees.

For example, some employees who work from home find it challenging to limit their work hours. A sabbatical program could help them break the cycle. When they return to work after a sabbatical, they should be refreshed and take a healthier approach to work, leading to improved productivity.

Set Clear Guidelines

Employers should set clear guidelines for their sabbatical program, including eligibility criteria, the duration of the break, and the frequency. They should also establish how employees can access the program and what kind of support they will receive.

Some experts recommend providing sabbaticals as a reward for long-term employees or an incentive for reaching milestones in the organization. For example, someone working on a challenging project could be rewarded with a sabbatical after completion.

Implement Contingencies

Employers should also consider how the program impacts team dynamics and how it may affect workflow during the employee's absence. It is essential to have contingencies in place to ensure that the employee's workload is covered while they are away.

Having an employee on sabbatical can also be an opportunity for organizations to expand the professional development of other employees as they take on additional responsibilities to fill the position temporarily. Offering employees the chance to gain different skills or take on more leadership roles can benefit both parties.

Be Prepared for Change

A sabbatical allows employees to step back and evaluate their work and life choices. As a result, some employees may return to the organization with different goals and objectives.

Employees may return to work with a different outlook and employers should be prepared to support them, if possible, as they transition back into their job. The employee may also need access to resources in order to remain productive and pursue their new ambitions.

Sometimes an employee may even decide to take a different career path, which might mean leaving the company. While it's not the ideal outcome for the employer, it can also be beneficial as it allows the employer to attract new talent.

In any case, supporting the employee's decision, regardless of what it is, helps create a positive working environment and shows that the organization values its people.

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Online Tools Help Employees Make Better Benefits Choices, Boost Engagement

According to professional services firm Aon, the average cost of healthcare for their own employees will increase by 6.5% next year. This is a significant increase from the 3.7% uptick seen in 2022 . This cost increase is similar to other cost increases mentioned here and likely due to the increased willingness of Americans to go in-person for testing and treatment now that the pandemic has subsided.

Cancer Is the Main Driver of Increasing Healthcare Costs

Cancer has been named the top driver of employer healthcare costs, replacing musculoskeletal conditions. In the Business Group on Health survey, 13% of employers stated that the incidence of late-stage cancers among their employees has increased, while 44% expect to see more cancer diagnoses in the future.

This is mainly because approximately 64% of Americans avoided cancer screenings in 2021 due to the challenges of the pandemic. With more people resuming in-person care, employers must now address the rising costs associated with managing the consequences of delayed screenings and care.

Considering that the average cost of cancer treatment is around $42,000 in the year after its diagnosis, according to the National Cancer Institute, the costs associated with cancer care will be a significant financial burden for employers in 2023.

Specialty Drugs a Significant Contributor to Rising Prices

According to the U.S. Department of Health and Human Services, specialty drugs have been on the rise in recent years, increasing by 43% since 2016. These drugs accounted for over 50% of total drug spending in 2021. Specialty drugs are typically used to treat complex, chronic diseases such as cancer and autoimmune disorders.

In response to these trends, employers are looking for different PBM partners and more transparent relationships to help manage drug costs. Employers should also consider exploring benefit designs that focus on better cost management for specialty drugs, such as tiered pricing, active formulary management, and alternate funding strategies.