

# Employers Adopting Worksite Clinics Despite ACA Uncertainties

Spending on clinics will count toward 2018 excise tax, but there are offsetting benefits

By Stephen Miller, CEBS

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When employers are asked how they plan to control health benefit costs over the long term, they frequently talk about improving employee health, which is one factor fueling growth of worksite clinics.

The Society for Human Resource Management's (SHRM's) *2015 Employee Benefits* survey report (</ResourcesAndTools/hr-topics/benefits/Documents/2015-Employee-Benefits.pdf>) shows that 8 percent of SHRM member organizations offer an onsite clinic to ensure that their employees—and in some cases, employees' dependents—will have access to quality care, with an additional 1 percent planning to offer this benefit in the next 12 months. That's a slight increase from the 7 percent providing onsite clinics in 2014.

This benefit, however, is much more common at—and growing faster among—large employers. Last year, Mercer's National Survey of Employer-Sponsored Health Plans found that 29 percent of employers with 5,000 or more workers provided an onsite or near-site clinic offering primary care services, up from 24 percent the prior year.

## Measuring Clinic Success

A follow-up 2015 Mercer survey on worksite clinics (<http://ushealthnews.mercer.com/article/444/employers-launch-worksite-clinics-despite-aca-uncertainty#x>) found that among large employers:

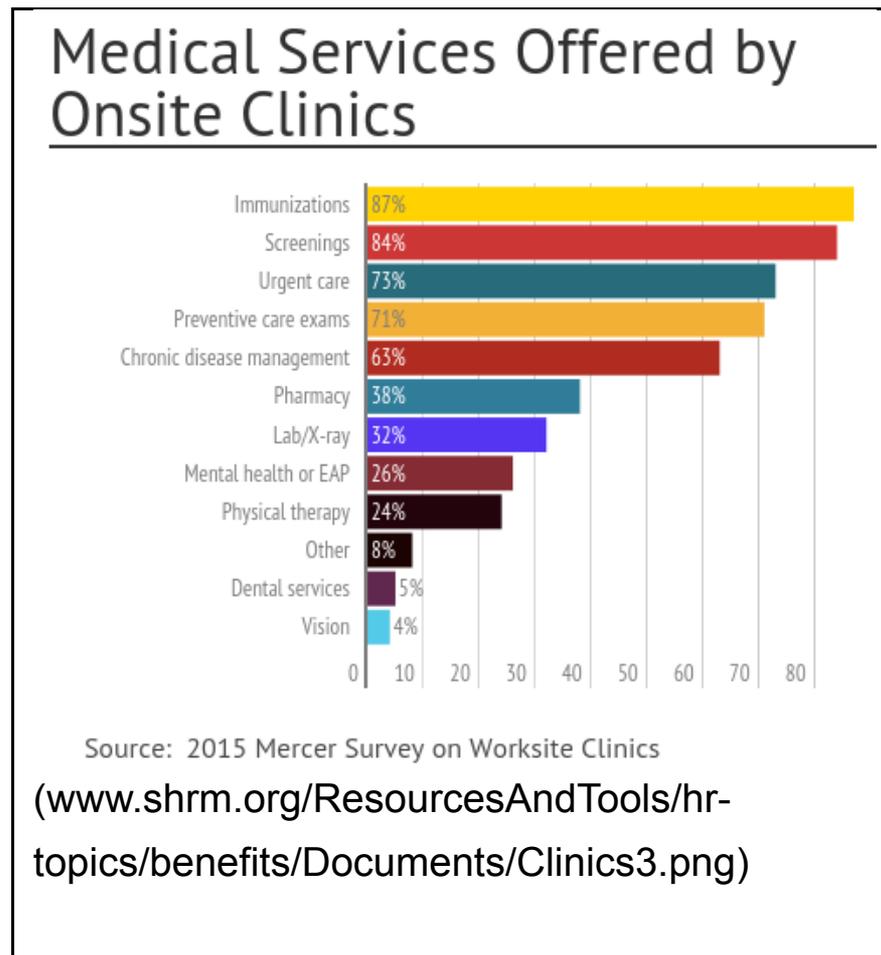
- 85 percent of respondents say that their organization generally perceives the clinic as a success.
- 63 percent say it has successfully reduced lost workdays.
- 58 percent say it has been successful in helping members control chronic conditions.

The best measure of employee satisfaction may be the extent to which they use this benefit. Survey respondents reported that 45 percent of employees, on average, used an onsite clinic in 2014.

“For many employers, employee satisfaction is the most important measure of success,” David Keyt, a Mercer principal in New York City, told *SHRM Online*. “If employees are using the clinic, it means they haven't been taking time off work to visit a doctor, and that they're getting the medical care they need to stay healthy and productive.”

## Services Provided

In worksite clinics that provide general medical services, immunizations and screenings are the most common services offered, Mercer found.



The aim is to create a patient-centered “medical home,” which is a delivery model through which individuals—often those who are high-risk or chronically ill—can have their care coordinated by a primary care physician, nurse practitioner or physician assistant. “Using the worksite clinic as a medical home allows employers to offer a greater level of care to the higher-risk, medically challenging employees and dependents who typically account for the largest portion of health care spending,” Keyt noted.

## Excise Tax Concerns

As the Affordable Care Act (ACA) expands the mandate on employers to provide affordable health coverage that meets specified coverage requirements, establishing or expanding a clinic to provide general medical services is one way employers can ensure that their employees will have access to cost-effective quality care.

But while the ACA may have spurred employer interest in worksite clinics, the IRS has clouded the picture by stating in a February 2015 notice ([/hrdisciplines/benefits/Articles/pages/high-value-excise-tax-notice.aspx](http://hrdisciplines/benefits/Articles/pages/high-value-excise-tax-notice.aspx)) that the cost of care received through clinics that offer a wide range of health services must be counted in the ACA’s nondeductible 40 percent excise tax calculation (the so-called “Cadillac tax” on high-value plans, which takes effect in 2018). The notice indicated that only clinics that are limited to providing first aid or other “de minimis” or minimal services would be exempt from the threshold calculation, and asked for comments on whether services such as immunizations and allergy shots should be considered de minimis.

“Employers are definitely concerned that the operational costs of a worksite clinic could help push them over the threshold for the excise tax, although most remain convinced that the clinic will deliver positive net value,” said Keyt. “We’re eager to see further regulations clarifying specifically how clinic costs will be treated,” he added.

While 15 percent of respondents to Mercer’s survey believe their general-health medical clinic will hurt them in terms of the excise tax calculation, nearly as many (11 percent) believe the clinic will help by holding down the cost of the company’s health plan. In addition, 28 percent believe it won’t have an impact either way.

However, 46 percent of respondents said they don’t know how the clinic will affect the calculation. Typically, the cost of the clinic accounts for 10 percent or less of their total health care spend, and for about half of the responding companies it accounts for 5 percent or less. This is because employees may choose to use employer-provided health insurance for primary care (albeit at a higher out-of-pocket cost), and the services of health care specialists are usually beyond what most health clinics provide, as are surgical services.

In other findings from the Mercer survey:

- Nearly half of respondents (48 percent) with a general medical clinic don’t require any co-payment for clinic services.
- 25 percent require a lower co-payment than the employee would pay for comparable services received elsewhere under the company health plan.
- Most respondents with hourly employees (61 percent) do not require them to clock out of work for visits to the clinic.

## Case in Point

In July 2015, military shipbuilder Huntington Ingalls Industries (HII) opened an onsite clinic in Gautier, Miss., providing onsite doctors, a pharmacy, labs, X-ray services and physical therapy facilities.

“Eligible employees and dependents pay nothing for preventive care or wellness coaching and pay only a \$15 fee for other visits, and they have access to ongoing help with chronic diseases like diabetes,” Bill Ermatinger, corporate vice president and chief HR officer at HII, told *SHRM Online*. More importantly, he added, almost 25 percent of the appointments so far have been wellness education appointments with the resident nurse educator and dietician. “Full-service health centers are a key component to training and retaining skilled workers in manufacturing,” he noted.

“Manufacturers like us rely heavily on our workforce and we want to be partners with them in maintaining good health and providing affordable, easily accessible health care,” added Edmond Hughes, vice president, HR and administration at Ingalls Shipbuilding, a division of HII.

Ermatinger and Hughes indicated they are not letting the excise tax affect their decisions regarding onsite clinics that improve the health of employees given that, at this time, it’s unclear what the impact, if any, will be.

But as with funding for health savings accounts, flexible spending accounts and health reimbursement arrangements, which also fall within the tax’s reach ([www.shrm.org/hrdisciplines/benefits/Articles/pages/cadillac-tax-guidance.aspx](http://www.shrm.org/hrdisciplines/benefits/Articles/pages/cadillac-tax-guidance.aspx)), as 2018 draws nearer—and without changes ([www.shrm.org/hrdisciplines/benefits/Articles/pages/cadillac-tax-repeal-coalition.aspx](http://www.shrm.org/hrdisciplines/benefits/Articles/pages/cadillac-tax-repeal-coalition.aspx)) to the ACA or to the relevant IRS regulations—more employers may have to weigh the tax’s impact on a wide range of health spending decisions.

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