

Health Care Reform Is Here To Stay – What Do Employers Do Now?

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Presenters



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Overview – Scope of Webinar

- Focus of this Webinar –
 - The group health plan reforms and various reporting/fee requirements going into effect over the next several years
 - The 2014 employer “shared responsibility” coverage mandate, and
 - Other items/issues of interest
- Opportunity for you to ask questions about matters of concern to you

2013 Developments

- ***Comparative Effectiveness Research (CER) Fee***
 - Applies to employer group health plans (GHPs) providing accident and health coverage
 - Effective for plan/policy years ending after 9/30/12 and will run for 7 years); Fee is due 7/31 of following calendar year
 - Fee is based on “covered lives” (\$1 for 1st year; \$2 for 2nd year; Set by Treasury in future years)
 - To be paid by employer (for self-insured plans) and insurer (for insured plans) using IRS Form 720
- ***New “high earner” Medicare Tax***
 - Additional employee .9% tax beginning on earnings over \$200K (for single filers and \$250K (for joint filers) in 2013; (employer rate unchanged)
 - Withholding required once employee’s wages reach \$200K (regardless of filing status)

2013 Developments (cont'd)

- ❑ ***New healthcare FSA contribution limit***
 - New annual \$2,500 limit on elective employee contributions
 - Effective for FSA plan years beginning 1/1/2013; plans must be amended by 12/31/14 to reflect change
- ❑ ***Employee exchange notice***
 - Employer-provided notice on health insurance exchanges
 - All employees beginning 3/1/13 and new employees at time of hire
 - Regulations have not yet been issued – so, will likely be postponed
- ❑ ***New/upcoming preventive care requirements for non-Grandfathered plans***
 - New women's preventive care services – effective for plan years (PYs) beginning on/after 8/1/12 (2013 for calendar year plans)
 - Adult obesity screening/counseling – effective for PYs beginning on/after 7/1/13

2014 Developments

- ***Additional reforms for all GHPs (Effective for PYs beginning on/after 1/1/14)***
 - *Pre-existing condition exclusions* – no longer allowed
 - *Adult child coverage* – no longer an exclusion for other GHP coverage
 - *Annual limits* – no longer allowed
 - Only applies to “essential health benefits”
 - *90-day waiting period limit*
 - Applies once an employee meets plan’s eligibility requirements
 - Eligibility based solely on lapse of time generally treated as a “waiting period”
 - But bona fide job classifications, full-time/part-time status and other legitimate eligibility standards are not treated as a waiting period
 - Special rules – 1200 hour eligibility rule & handling of new employees

2014 Developments (Cont'd)

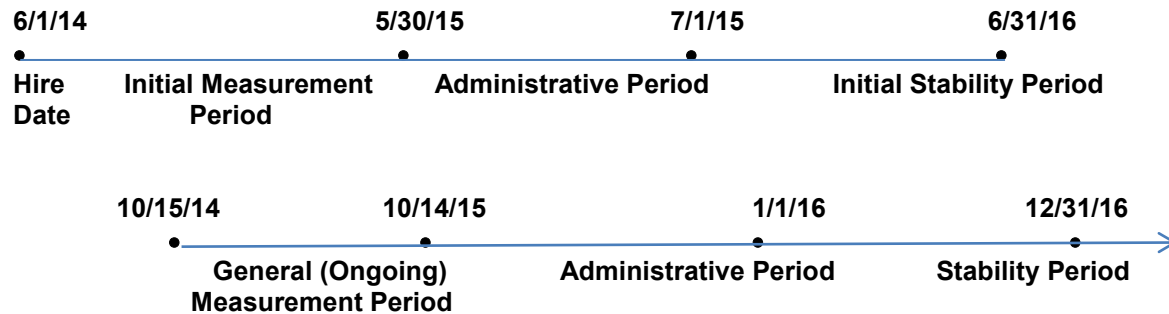
- ***Additional reforms for Non-Grandfathered GHPs (Effective for PYs beginning on/after 1/1/14)***
 - *Wellness rule changes –*
 - Overall limit for “health contingent” wellness incentives increased to 30% (up to 50% for tobacco use)
 - Other changes -- to apply to all plans; determining applicable limit; and application of “reasonable alternative” requirement
 - *For small insured GHPs –*
 - “Essential health benefits” coverage mandate
 - Limits on participant cost sharing (HDHP limits)/deductibles
 - *Other changes – Cannot*
 - Restrict clinical trial participation
 - Discriminate against providers unwilling to provide abortion-related services

2014 Developments (Cont'd)

- ***Employer “Shared Responsibility” Requirements –***
 - Applies to “large employers”
 - At least 50 full-time (or equivalent) employees
 - Determine on “controlled group” basis
 - Two “play or pay” employer coverage mandates
- ***First Mandate -- offer coverage to all full-time employees (FTEs) and their dependents***
 - Applied on an employer-by-employer (and not “controlled group”) basis
 - An employee is FTE if works on average 30 hours per week
 - Special “safe harbor” rules for determining FTE status of on-going employees and new “variable hour” and “seasonal” employees
 - Measurement period; administrative period; stability period
 - Transition between 1st year of employment and plan’s normal measurement and stability periods

2014 Developments (Cont'd)

➤ Example:



If the employee does not average at least 30 hours per week during the Initial Measurement Period (6/1/14 – 5/30/15), the employer is not required to offer coverage to the employee during the Initial Stability Period (7/1/15 – 6/31/16). However, notwithstanding the average hours worked during the Initial Measurement Period, if the employee averages at least 30 hours per week during the General Measurement Period (10/15/14 – 10/14/15), the employer must offer coverage (or be subject to the excise tax) during the related Stability Period (1/1/16 – 12/31/16).

2014 Developments (Cont'd)

- Dependents only include children up to age 26, and not spouses
- Substantial compliance (5%) rule
- Excise tax for failure to comply —
 - Applies if any non-eligible FTE gets subsidized coverage on an exchange
 - An annual tax equal to \$2,000 per FTE employee (above 30)
 - 30 minimum allocated pro-rata among “controlled group”
 - Tax to be determined/assessed by IRS (and not self-reported)

2014 Developments (Cont'd)

- ***Second Mandate -- offer coverage that is “affordable” and provides “minimum value”***
 - Only applies if the employer meets the “First Mandate”
 - What is “affordable” – Employee’s premium cost for individual coverage does not exceed 9.5% of employee’s “household income”
 - W-2 compensation and other alternatives to household income
 - What is “minimum value” – plan pays at least 60% of covered costs (determined on an actuarial basis)
 - ***Excise tax for failure to comply –***
 - An annual tax equal to \$3,000 per affected FTE (not to exceed potential “First Mandate” excise tax)
 - Only count affected FTEs who get subsidized exchange coverage
 - Tax to be determined/assessed by IRS (and not self-reported)

2014 Developments (Cont'd)

□ *Transitional reinsurance program*

- A 3-year program to run from 2014-2016; intended to help stabilize the insurance market during the early years of the exchanges by reimbursing insurers for high claims costs
- Applies to GHPs providing major medical coverage (including retiree programs)
 - Excludes FSAs, HSAs, integrated HRAs and separate dental/vision
- Fee is based on “covered lives” (\$63 per covered life for 1st year)
 - Also possible additional state-imposed fee for insured plans
- “Covered Lives” – includes all participants and covered dependents (but excludes those for whom Medicare is primary)
- Fee to be paid by employer (for self-insured plans) and insurer (for insured plans)
 - Annual reporting of “covered lives” and annual assessment/payment

2014 Developments (Cont'd)

□ *Additional Employer/GHP Reporting*

- Annual IRS information reporting requirements for GHP coverage (initial reports due in 2015)
 - Applies to employers (for self-insured plans) and insurers (for insured programs)
 - Also required to provide same information to each individual covered under plan
- Annual reporting for “large employers” subject to shared responsibility requirements (initial reports due in 2015)
 - Also required to provide same info to each FTE
- HHS reporting requirements for non-Grandfathered GHPs
 - One for healthcare cost/quality and another on cost-sharing and claims data
 - No regs /guidance issued as yet

Other Items

- ❑ ***Nondiscrimination rules for insured nongrandfathered GHPs (not yet effective)***
 - Similar to rules for self-insured plans (but will result in a penalty)
- ❑ ***Auto enrollment (not yet effective)***
 - To apply to employers with 200 or more FTEs
 - Will be required to enroll all eligible FTE unless they opt out
- ❑ ***“Cadillac” tax for high value benefit plans (effective for 2018)***
 - 40% excise tax on total value of GHP coverage above \$10,000 for self-only coverage and \$27,500 for family coverage
 - Paid by insurer for GHPs, and the plan administrator for self-funded GHPs
 - All nontaxable employer-offered GHP coverage is counted
 - Includes HRA coverage, pre-tax FSA contributions and employer HSA/MSA contributions (but excludes separate dental/vision benefits, certain on-site and executive physical programs).

Questions



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