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Cooperative Health Insurance Fund of Central New York

presented by

BENEFIT CONSULTING GROUP AND LOCEY & CAHILL

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Agenda

Affordable Care Act

- Brief Recap
- Planning for the Future
 - Tracking Hours to Determine Eligibility
 - Reporting
 - Cadillac Tax
- Q & A

2015 – Looking Forward

Application of Employer Mandate

Tracking Hours – collecting employee and dependent data

Reporting Requirements

Preparing for Cadillac Tax

Employer Mandate

Basic coverage rules for large employers:

Large employers may be subject to an excise tax if at least one full-time employee whose household income is between 100-400% of FPL receives a premium tax credit for Exchange coverage and the employer either:

Penalty "A"

Fails to offer minimum essential coverage to full-time employees and their dependents

Penalty "B"

Offers coverage to full-time employees that does not meet the law's affordability or minimum value standards

Employer Mandate Guidance Issued in February, 2014

Enforcement of Employer Mandate for employers with 50 – 99 FTEs delayed until 2016

Enforcement of Employer Mandate (Pay or Play Rules) begins with plan year 2015 (Some temporary relief applies*)

- Penalty A –if no employer based coverage is offered (or offered to less than 70%* of full time employees), and at least 1 FT employee is certified to receive a premium tax credit, a \$2,000 for every full time employee will be assessed (minus the first 80 FT employees)*
- Penalty B – if employer coverage is offered but does not meet the minimum value or affordability standard, an employer could be assessed a penalty of \$3,000 for each FT employee certified to receive a premium tax credit

* In 2016 the relief expires and the provisions return to 95% and 30 FT employees respectively

Understanding Affordability and Minimum Value

Affordability: Coverage under an employer-sponsored plan is deemed “affordable” if the employee’s contribution to the lowest-cost employer based plan, for self-only coverage does not exceed 9.5% of the employee’s household income*.

Minimum Value: Coverage under an employer sponsored plan will meet “minimum value” requirement if the coverage available is expected to cover on average at least 60% of the medical expenses covered by that plan.

* IRS Safe Harbors for employers - use W-2 safe harbor, FPL safe harbor, or Rate of Pay Safe Harbor.

Affordability Test

Does coverage meet affordability test?

Federal Poverty Limit (FPL)	2014 FPL	Hourly Rate (40 hours per week)	Percentage of W-2 Wage	Employee Share of Single Premiums (per month @ 9.5% income standard)
100% (Possibly Medicaid eligible)	\$11,670	\$5.61/hour	9.5%	\$92/month
133% (Possibly Medicaid eligible)	\$15,521	\$7.46/hour	9.5%	\$123/month
150%	\$17,505	\$8.42/hour	9.5%	\$139/month
200%	\$23,340	\$11.22/hour	9.5%	\$185/month
250%	\$29,175	\$14.03/hour	9.5%	\$231/month
300%	\$35,010	\$16.83/hour	9.5%	\$277/month
350%	\$40,845	\$19.64/hour	9.5%	\$323/month
400%	\$46,680	\$22.44/hour	9.5%	\$370/month
400% - family of 4	\$95,400		9.5%	\$370/month (since employer has to use the single rate for lowest tier plan to calculate affordability)

Source: NAHU.org, HHS.gov

Employee Categories

Full-time Employee: an employee who regularly works a minimum of 30 hours per week

Part-time Employee: an employee regularly works less than 30 hours per week

Variable Hour Employees: an employee whose eligibility is difficult to determine because hours fluctuate

Eligibility and Tracking Hours

Employers will choose measurement, stability and administrative periods for employees – determination must be uniform and consistent for all employees within the same category

Employers may use monthly measurement method for salaried employees and look-back method for hourly employees

Track new hires (variable hours) beginning the first of the month following date of hire

**Process must be in place to determine who is eligible 9/1/15, which means tracking must begin earlier!

Sample Look-Back Periods (for Ongoing Employees)

3 Month Look-Back

2013		2014										2015														
N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	
Not Applicable							Look-Back			Admin		Stability Period														
												Look-Back		Admin		Stability Period										
														Look-Back		Admin		Stability Period								

6 Month Look-Back

2013		2014										2015														
N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	
Not Applicable					Look-Back						Admin		Stability Period													
												Look-Back				Admin		Stability Period								

12 Month Look-Back

2013		2014										2015													
N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Look-Back												Admin		Stability Period											
														Look-Back								Admin			

Sample Look-Back Periods (for New Variable Hour Employees)

3 Month Look-Back (New Variable Hour Employee Hired 9/1/14)

2013		2014					2015					2016																								
N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D											
Not Applicable		Look-Back					Admin					Std. Stability Period																								
							Look-Back					Admin					Std. Stability Period																			
												Look-Back					Admin					Std. Stability Period														
																	Look-Back					Admin					Initial Stability Period					<i><-- Hired 9/1; also starts Std. Look-Back Period 11/1/14</i>				

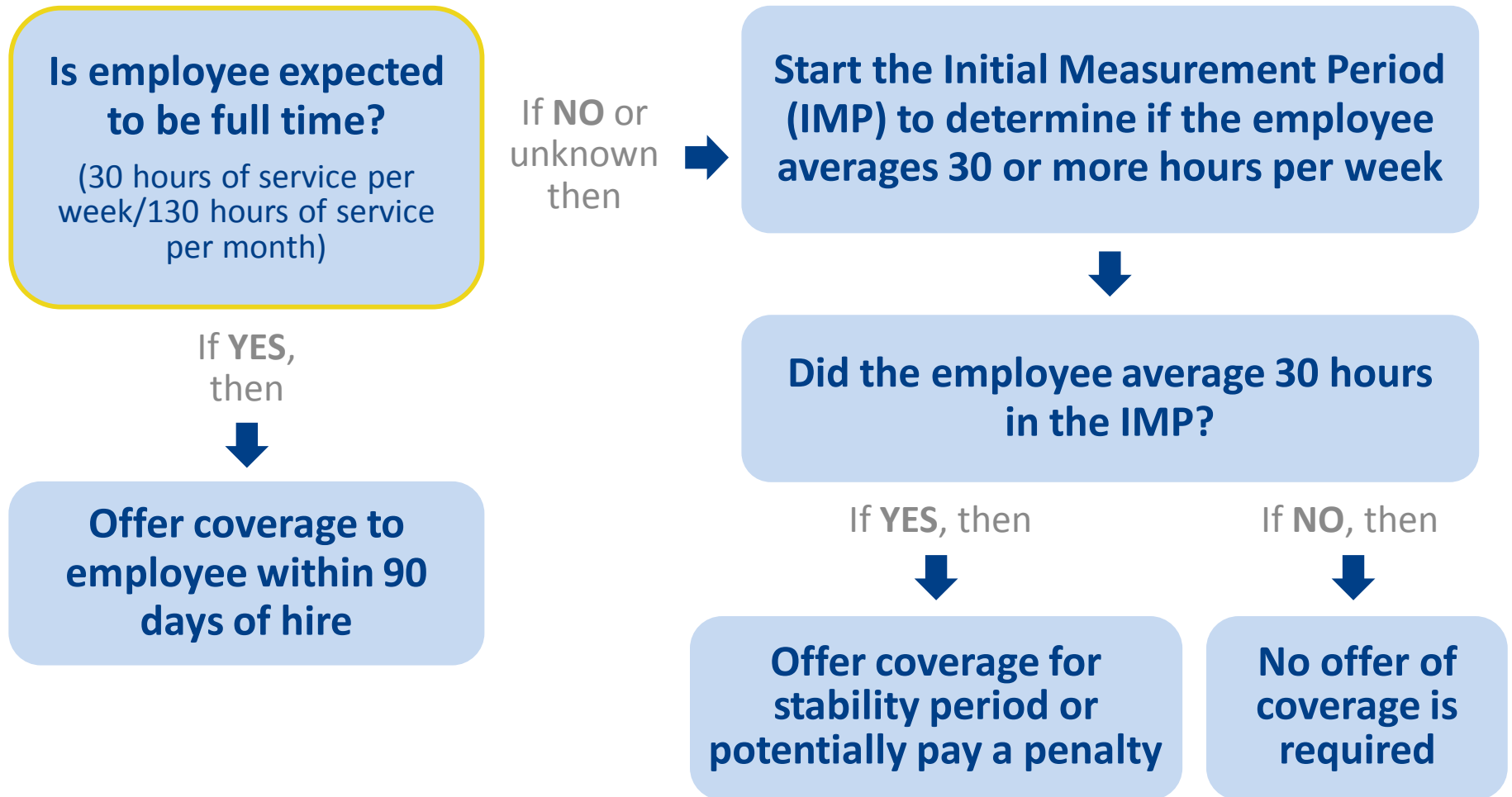
6 Month Look-Back (New Variable Hour Employees Hired 4/15/14 and 9/1/14)

2013		2014					2015					2016																			
N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D						
Not Applicable		Look-Back					Admin					Std. Stability Period																			
							Look-Back					Admin					Std. Stability Period														
							Look-Back					Admin					Initial Stability Period					<i><-- Hired 4/15; Initial Look-Back same as Std. Look-Back Period</i>									
												Look-Back					Admin					Initial Stability Period					<i><-- Hired 9/1; also starts Std. Look-Back Period 11/1/14</i>				

12 Month Look-Back (New Variable Hour Employees Hired 4/15/14 and 9/1/14)

2013		2014					2015					2016														
N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	
		Look-Back					Admin					Std. Stability Period														
							Look-Back					Admin					Std. Stability Period									
							Look-Back					A.					Initial Stability Period									
												Look-Back					A.					Initial Stability Period				
																						<i>Both new hires also start their Std. Look-Back Period 11/1/14</i>				

Full-Time Status and Eligibility



Reporting Requirements

Section 6055 of the IRS Code – The purpose of this reporting requirement is to assist the IRS with enforcing the Individual Mandate

Section 6056 of the IRS Code – The purpose of this reporting requirement is to assist the IRS with enforcing the Employer Mandate and verifying whether premium tax credits made to individuals are accurate

Reporting Requirements*

Who is responsible for reporting?

- IRC 6055: applies to insurance companies, plan sponsors of self-insured health plans, and other issuers of health benefits
- IRC 6056: applies to all applicable large employers (ALE)

When will reporting begin?

- Report to IRS no later than February 28, 2016 (or March 31, 2016 if filed electronically)
- Distribute notices to employees and retirees by January 31, 2016 (in conjunction with W-2 distribution)
- Reporting will continue annually (Self insured employers allowed to report both 6055 and 6056 responsibilities on one form)

* Consult tax advisor regarding applicable reporting requirements

Reporting Requirements

Checklist of data elements required to be reported to IRS under 6055:

- Name, address, EID of insurer, or plan sponsor
- Name, address, TIN (DOB if TIN not available) of the responsible individuals (that includes employees and retirees)
- Name, address, TIN (DOB if TIN not available) of each member, spouse, dependent child covered under the policy
- For each covered individual, the months during which the individual was enrolled in the coverage for at least one day

Draft forms have been released and are posted to the Cooperative website under the 9/23/14 meeting and ACA

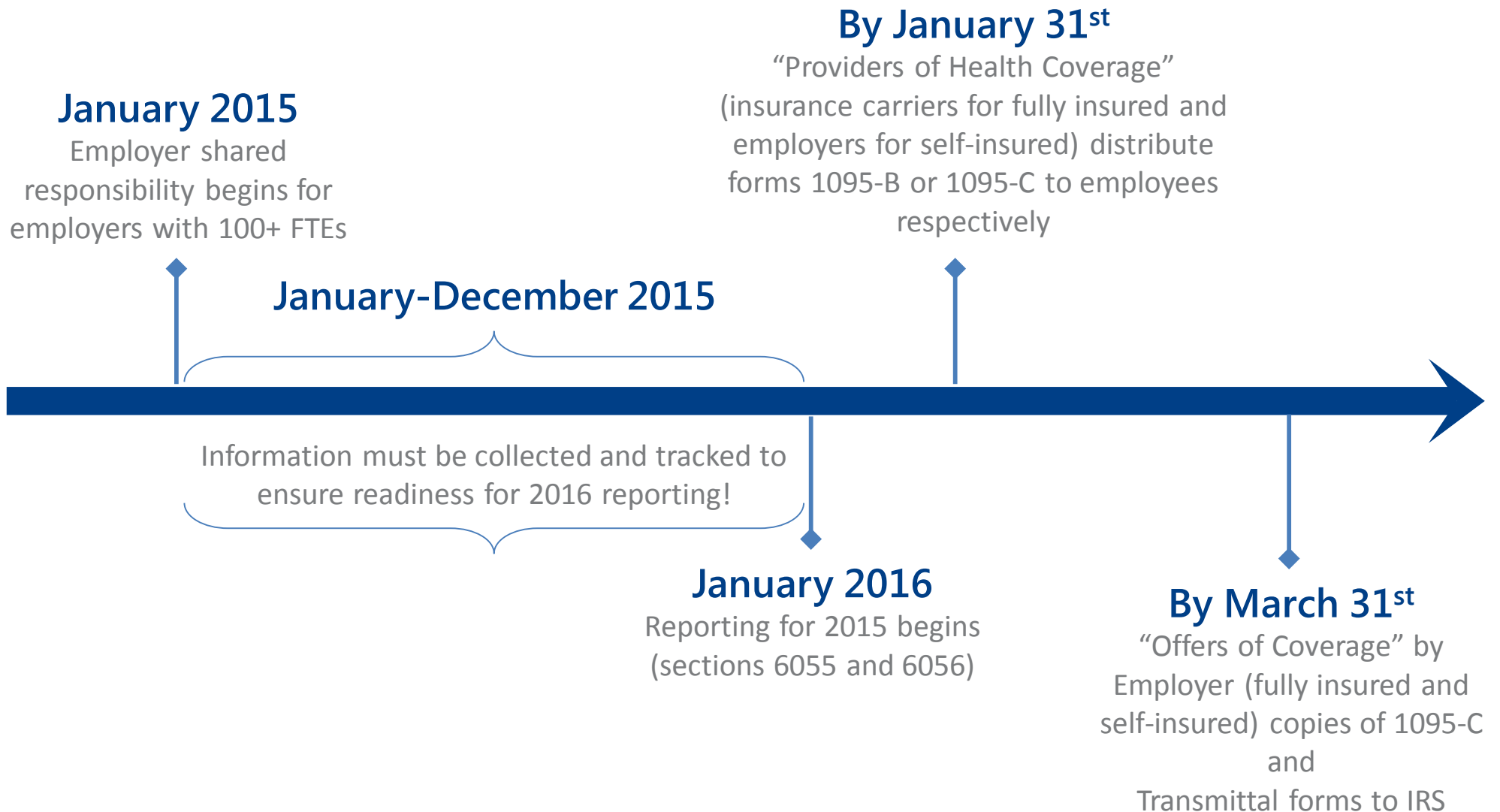
Reporting Requirements

Checklist of data elements required to be reported to IRS under 6056:

- Employer name, address and TIN
- Employer contact person name and phone number
- Calendar year reporting on
- Certify whether employer offered minimum essential coverage to FT employees and dependents
- Months during calendar year the plan was available
- Each FT employees contribution toward self only, lowest cost coverage option offered to FT employees
- Number of FT employees in each month during calendar year
- Name, address, TIN of each FT employee during calendar year and months which the employee was covered

Draft forms have been released and were provided at the last meeting (also posted to the Cooperative website under the 9/23/14 meeting and ACA)

When Reports Must be Provided



Employer Challenges

Implement a system to continuously track employee hours of service

Track hours of service for newly hired variable hour employees

Maintain a *record* of the tracking hours of service

Penalties can be appealed - an audit trail is key

Be prepared to *offer* coverage to eligible, variable hour, employees

Consider the data elements required in preparation for IRS and employee reporting – Months during which coverage was offered, or enrolled in plan

Continue to distribute Exchange Notice to new hires

Continue to distribute SBCs to newly eligible employees and to all eligible at open enrollment and upon request

Cadillac Tax

CADILLAC TAX	
What it is/fee duration	Permanent annual tax beginning in 2018 on employers that provide high-cost benefits through an employer-sponsored group health plan.
Purpose	<ul style="list-style-type: none"> To generate \$80 billion over the next 10 years to help finance the expansion of health coverage.
Amount	<ul style="list-style-type: none"> The tax is 40% of the cost of plans that exceed predetermined threshold amounts. Cost includes the total premiums paid by both employers and employees, but not cost-sharing amounts such as deductibles and copays when care is received. For planning purposes, the thresholds for high-cost plans are \$10,200 for individual coverage, and \$27,500 for family coverage. These thresholds will be updated for 2018 when final regulations are issued and indexed for inflation in future years. The thresholds will also be adjusted for: <ul style="list-style-type: none"> High-risk professions such as law enforcement and construction. Group demographics including age and gender. For pre-65 retirees and individuals in high-risk professions, the threshold amounts are \$11,850 for individual coverage and \$30,950 for family coverage.
Who calculates and pays	<p>Insured: Employers calculate and insurers pay</p> <p>Self-funded: Employers calculate and pay</p>
How a plan's cost is determined	<p>The tax is based on the total cost of each employee's coverage above the threshold amount. The cost includes premiums paid by employers and employees plus:</p> <ul style="list-style-type: none"> Employer and employee contributions to Health Care Flexible Spending Accounts, Health Reimbursement Accounts and Health Savings Accounts. The cost of Employee Assistance Plans with counseling benefits, onsite medical clinics and wellness programs.

**Cadillac Tax Calculation
Average Premium Example 2**

Effective January 1, 2018 an excise tax will be imposed on plans where the value of single and family contracts exceed \$10,200 and \$27,500 respectively.

Trended at		5.00%			Tax begins		
	2013/14 Actual	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Single	\$583.66	\$612.84	\$643.48	\$675.66	\$709.44	\$744.91	\$782.16
Family	\$1,419.75	\$1,490.74	\$1,565.28	\$1,643.54	\$1,725.72	\$1,812.00	\$1,902.60

Annual	2013/14 Actual	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Single	\$ 7,004	\$ 7,354	\$ 7,722	\$ 8,108	\$ 8,513	\$ 8,939	\$ 9,386
Family	\$ 17,037	\$ 17,889	\$ 18,783	\$ 19,722	\$ 20,709	\$ 21,744	\$ 22,831

Single: The value of a single contract (premium only) will not exceed the threshold by 2020

Family: The value of a family contract (premium only) will not exceed the threshold by 2020

For the 2017/2018 plan year, an employee with a single contract who makes an FSA contribution of this amount or more would cause the value of the plan to exceed the \$10,200 threshold: \$1,687

For the 2018/2019 plan year, an employee with a single contract who makes an FSA contribution of this amount or more would cause the value of the plan to exceed the \$10,200 threshold: \$1,261

For the 2019/2020 plan year, an employee with a single contract who makes an FSA contribution of this amount or more would cause the value of the plan to exceed the \$10,200 threshold: \$814

The value of a family contract including the maximum FSA contribution will not exceed the threshold by 2020

Notes:

- 1 The value of the health insurance contract includes the premium equivalent rate, employer FSA/HSA/HRA contributions, and employee FSA/HSA contributions.
- 2 The costs of dental and vision coverage are not included in the Cadillac Tax.
- 3 The actual Cadillac Tax threshold for 2019 is currently unknown and will be \$10,200/\$27,500 increased by CPI + 1%.

Questions?

This is not intended to be exhaustive nor should any discussion or opinions be construed as legal or tax advice.
Contact legal counsel for legal advice and/or tax professional for tax advice.