



EXPERT UPDATE



Compliance Headlines from Henderson Brothers:

- Health Care Reform Has Been Upheld – Planning for 2014 Is Imperative



Health Care Reform Has Been Upheld – Planning for 2014 Is Imperative

The media has been extremely busy since yesterday late morning. The Supreme Court has concluded that Congress has the constitutional authority under its taxing power to require most Americans to obtain health insurance, or pay a “penalty” or tax.

This new requirement will be here before we know it and good planning for this change is imperative. Whether your goal is to continue offering health benefits to your employees well after 2014 or discontinue your group health plan coverage entirely, opting that employees elect individual exchange coverage instead, good strategies employed now to address the 2014 “pay or play” rules will increase the likelihood that you will be able to maintain a competitive compensation package well beyond 2014. As more key provisions of health reform become effective, employers must be prepared to make important decisions regarding their benefit package, specifically the eligibility, benefit design and cost associated with their health benefit plan.

The Individual Mandate –

This 2014 requirement does not directly affect employers, but it does influence individual purchasing decisions with respect to health benefits. The choices individuals make, including whether they purchase health coverage, how much benefit they purchase, the cost of coverage and where they buy it, will likely influence what health benefits plan sponsors continue to offer.

Revisiting the Employer “Pay or Play” Mandate –

Employers now face a renewed urgency to understand the implications of the individual mandate and its relevance to the “Pay or Play” employer mandate.

Beginning in 2014, the pay or play rules will apply to employers with 50 or more “full-time equivalent” employees. This is the same time the insurance exchanges will become operational. These exchanges will provide a mechanism for individuals and small businesses to select from various levels of coverage, referred to as "bronze," "silver," "gold," and "platinum". Individuals who are at or below 400% of the federal poverty level will be entitled to premium tax credits toward the cost of coverage in the exchanges. Notwithstanding, the Affordable Care Act has been built on the premise that most Americans will continue to be covered by employer-sponsored coverage. Under this pay or play mandate, employers who play by electing to continue to offer “minimum essential” health benefits to their full-time employees will not be subject to the penalty. Those employers who fail to offer the required benefits will pay an annual penalty of \$2,000 for each full-time employee in excess of 30 employees. In addition, those employers who do offer coverage, but fail to provide at least 60% of the actuarial value or who have any full-time employees for whom the coverage costs more than 9.5% of their compensation, will pay the lesser of the first annual penalty or \$3,000 for each full-time employee receiving a premium tax credit to purchase coverage through the exchange.

Preparing for next Open Enrollment Season (SBC requirement) –

While many health reform requirements have already been implemented, including expanded preventive care benefits for non-grandfathered plans, extension on coverage for older dependents, unlimited lifetime maximum, etc., there are still a few big hurdles for employers to overcome this next year. The Summary of Benefit Coverage requirement, or “SBC”, must be distributed during open enrollment season, beginning on plan anniversary dates on or after September 23, 2012. Insurance companies for fully-insured plans have the obligation to produce these summaries. Self-insured plan sponsors will need to coordinate this process with their third party

administrator (TPA). Self-insured plan sponsors must be aware that they carry the compliance burden, not the TPA. Stiff penalties will be imposed for non-compliance.

W-2 Reporting Requirement –

For calendar year 2012, many employers will be obligated to report the aggregate cost of employer sponsored coverage. There is some transition relief for certain employers – including those who issued fewer than 250 Forms W-2 for 2011, Multiemployer plans, self-insured plans that are not subject to COBRA continuation coverage or similar requirements. Additionally, certain types of “excepted” benefits under HIPAA, including most dental and vision benefits, salary reduction contributions to an FSA are also exempt from this reporting requirement.

Other Key Health Reform Provisions for Employers –

2013

- Increase in Medicare Payroll tax by .9% for high-income earners
- Elimination of employer deduction for Medicare Part D subsidy
- FSA limit of \$2,500 per plan year
- Fees are assessed for Patient-Centered Outcomes Research Trust Fund
- Guidance released – health plan reporting and cost-sharing disclosures
- Calendar year W-2 reporting requirement for smaller employers

2014

- Annual fee on health insurers
- Health insurance market reforms take effect
- Employer and insurer reporting requirements

Post 2014

- Excise tax on high-cost employer sponsored coverage (2018)

HBI Knowledge, Resources and Strategy –

HBI consultants have access to exceptional resources and tools to assist our clients with Health Reform implementation. We also possess the actuarial capability to forecast health plan costs well beyond 2014. The relative value benchmarks we provide enable our clients to adjust their health plan design now, so that their benefit design and cost is positioned for the exchanges in 2014. These precise benchmarks

provide clarity for employers struggling to align their health benefits competitively for today, and properly prepare for the introduction of exchange plans in 2014. Call your HBI consultant now for additional information and guidance. We are here to help regardless of whether you provide health benefits to 2 employees or 10,000.

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