

Employer's guide to health care reform requirements

June 2015 edition

As the Affordable Care Act (ACA) continues to be implemented, you'll need to remain aware of the policies and provisions that affect your business. This guide can help you easily reference existing requirements and prepare for those coming in the future.



Colonial Life created this document to help you understand current and future ACA requirements. As the law continues to be implemented, changes may occur. This guide is intended for informational use only and does not constitute legal, tax or accounting advice regarding any specific situation.

Topics covered in this guide

Upcoming requirements:

- Employer coverage mandate and the play-or-pay penalty for businesses with 50-99 employees
- Failure to provide coverage /Minimum essential coverage reporting (report employer-provided health insurance to IRS and employees)
- Auto enroll for group health plans
- SHOP (Small Business Health Options Program) options for businesses of different sizes
- Excise tax on high-cost coverage (Cadillac tax)

Current requirements:

- Access to provider choice/emergency services
- Dependent coverage up to age 26
- Elimination of pre-existing conditions for all
- Elimination of subsidy for retiree prescription drug plans
- Employer coverage mandate and the play-or-pay penalty for businesses with 100 or more employees
- Employer reporting of health coverage on W-2 forms
- Flexible spending account changes – over-the-counter medications
- Flexible spending account maximum caps
- Individual coverage mandate
- Lifetime maximums eliminated
- Limits on waiting periods
- Medicare tax increase
- Plans cannot rescind coverage
- Preventive care covered at 100%
- Simple cafeteria plan
- Small employer health insurance credit
- Summary of Benefits and Coverage documents
- Written notice of the insurance marketplaces

Colonial Life solutions:

- Time-and cost-saving services
- Voluntary benefits

Prepare now for upcoming requirements

Take the necessary steps now to ensure you'll be in compliance when these requirements take effect.

Upcoming requirement	Action required	Implementation date
<p>Employer coverage mandate and the play-or-pay penalty for businesses with 50-99 employees</p> <p>Employers are required to offer qualified health insurance to their employees and their dependents, or pay a penalty in some circumstances.</p> <p>Employers with 50-99 employees will have until 2016 to comply with this mandate, if they can certify to the government that they haven't reduced the size of their workforces to satisfy the size requirements and haven't reduced or eliminated the health coverage they offered on February 9, 2014.</p> <p>In another transition rule, employers who do not offer coverage to their employees' dependents will have until 2016 to begin offering coverage to them. The employer must have taken steps in the 2014 or 2015 plan year to extend coverage to dependents to gain this extension.</p>	<p>Determine if you are going to play or pay, and ensure you're ready to meet the obligations of this requirement.</p>	<p>2016 (for 2015 plan year)</p>
<p>Failure to provide coverage / Minimum essential coverage reporting (report employer-provided health insurance to IRS and employees)</p> <p>If an employer offers his or her employees health insurance, but that coverage does not provide a "minimum value" as required by the law, or if the coverage premium is greater than 9.5% of the employee's household income, the employee is eligible to receive a tax subsidy to purchase coverage through the marketplace. The employer must pay a penalty tax of \$3,000 per year for each of these employees who receives a tax subsidy.</p> <p>For the 2015 calendar year, the law requires employers who are subject to the play-or-pay penalty to report information about the coverage they offer their full-time employees in 2015 to the IRS by March 1, 2016. The employers must also provide statements to their employees about the coverage they provide by February 1, 2016.</p>	<p>Beginning with the 2015 or 2016 calendar year (whichever is applicable), you must report if you comply with the mandate and provide statements to your employees about the coverage you provide them. If you do not comply with the mandate, you must pay any resulting penalty.</p>	<p>2015</p>

Upcoming requirement	Action required	Implementation date
<p>Auto enroll for group health plans</p> <p>If you have more than 200 employees, you must automatically enroll all new full-time employees in one of your health plans. New employees should have the opportunity to opt out of this coverage. At this time it is unclear when implementation will begin, pending regulations to be issued by the U.S. Secretary of Labor.</p>	<p>If this requirement applies to you when it becomes effective, you need to do several things: You need to ensure all new employees are enrolled, notify them of their option to opt out, and then remove employees who opt out from that coverage.</p>	<p>TBD</p>
<p>SHOP (Small Business Health Options Program) options for businesses of different sizes</p> <p>When the health care reform law was written, it required that SHOP exchanges initially be available to businesses with fewer than 100 employees — but it also gave states the option of limiting initial eligibility to employers with fewer than 50 employees.</p> <p>Starting in 2016, all SHOP exchanges must be open to employers with fewer than 100 employees. Small-business employees who previously lacked workplace health coverage may now have access through their employer if the employer chooses to offer benefits through the SHOP exchanges.</p> <p>Since SHOP exchanges may make it more affordable to offer health coverage, employers may find them a worthy investment in attracting and retaining top talent.</p>	<p>Review SHOP options as they apply to your size business and determine if you want to use them.</p>	<p>2015 and beyond</p>
<p>Excise tax on high-cost coverage (Cadillac tax)</p> <p>“High-cost” health plans will be subject to an excise tax, paid by the coverage provider. Plans, or combinations of plans, are considered “high-cost” plans if the aggregate annual value of the coverage provided by an employer to an employee is greater than \$10,200 for single coverage and \$27,500 for family coverage.</p> <p>Special rules apply for plans for retirees and employees in high-risk professions and multi-employer plans. This excise tax is intended to encourage employers to hold down the value of the plans they offer to employees and could possibly result in reduced medical spending.</p>	<p>Calculate tax and consider options. As the requirement is currently positioned, you will be required to calculate the value of the benefit plans you offer your employees and notify the insurance carriers of their pro-rata share of the tax, beginning with the 2018 tax year.</p>	<p>Currently scheduled for 2018</p>

Confirm you're in compliance with existing requirements

The following requirements are already in place. Be sure that you're in compliance and that your employees are aware of any changes that affect them.

Access to provider choice/emergency services

Medical insurers are to treat and charge insured individuals for emergency services received from out-of-network providers the same way they do for in-network emergency services.

Dependent coverage up to age 26

Plans that cover dependent children must cover all children (married and unmarried) of the insured until they reach age 26.

Elimination of pre-existing conditions

Health insurance companies are required to make their policies available to individuals with no pre-existing condition exclusions.

Elimination of subsidy for retiree prescription drug plans

The deduction for amounts received by an employer as a subsidy for retiree prescription drug plans was eliminated for tax years following Dec. 31, 2012.

Employer coverage mandate and the play-or-pay penalty for businesses with 100 or more employees

Employers with 100 or more full-time employees (including full-time equivalents) are required to offer qualified health insurance to their employees and their dependents, or potentially pay a penalty.

Employer reporting of health coverage on W-2 forms

The reporting requirement for W-2 forms requires employers who file more than 250 W-2 forms to include the cost of all "applicable employer-sponsored coverage" on their employees' W-2 forms. "Applicable employer-sponsored coverage" includes coverage under insured or self-funded health plans provided by the employer. This includes certain voluntary plans when the premiums are paid with pre-tax contributions by the employees or are paid by the employer.

Flexible spending account changes – over-the-counter medications

Over-the-counter medicines and drugs are no longer eligible for reimbursement under a health flexible spending account (FSA) or health reimbursement account (HRA) without a doctor's prescription.

Flexible spending account maximum caps

Beginning with the cafeteria plan year January 1, 2013, salary reduction contributions for health FSAs are capped at \$2,500 per employee, per year.

Individual coverage mandate

Effective 2014, individuals are required to obtain coverage under a qualified health insurance plan or potentially pay a tax penalty.

Lifetime maximums eliminated

Health insurance plans may not impose lifetime limits on the dollar value of any essential health benefits. Annual limits are also restricted by regulations of the Secretary of Health and Human Services (HHS).

Limits on waiting periods

Medical carriers that offer group coverage cannot have a waiting period longer than 90 days for benefit plans.

Medicare tax increase

Employees who earn more than \$200,000 and file as single, and employees who earn more than \$250,000 and file jointly, are subject to a 0.9% increase in Medicare taxes.

Plans cannot rescind coverage

Insurers cannot retroactively cancel or rescind coverage for insured individuals except in the case of fraud.

Preventive care covered at 100%

Medical insurers are required to pay for the entire cost of preventive services and cannot ask employees to share in this cost. This is designed to motivate insured individuals to receive routine preventive care and screenings, such as PAP smears, mammograms, PSA tests and colonoscopies.

Simple cafeteria plan

Eligible small employers can now establish new simple cafeteria plans, which will be considered as meeting the nondiscrimination requirements, as long as the plan sponsor meets certain eligibility, participation and minimum-contribution requirements.

Small employer health insurance credit

A tax credit is available to small businesses who meet certain criteria and provide health insurance to their employees. Beginning in 2014, the credit can be claimed for only two consecutive years, beginning on or after 2014.

Summary of Benefits and Coverage documents

Health insurers and group health plans are required to provide a summary of the provisions of their plan to applicants and enrollees, following the format specified by the U.S. Department of Health and Human Services (HHS). This requirement may be enforced with a substantial fee for each day of noncompliance.

Written notice of the insurance marketplaces

Employers must provide all employees and new hires with information about state health insurance marketplaces. The law originally required employers to provide this notice by no later than March 1, 2013; however, the Department of Labor (DOL) has delayed the effective date.

Take advantage of Colonial Life solutions

As you make adjustments to comply with the ACA, we can help make that process run more smoothly. Our administrative solutions and benefits expertise can help you better understand market reforms, select plans and educate your employees on plan changes. And we can provide these services and solutions at no direct cost to you.

Voluntary benefits

- As employees often face increased financial responsibilities for their health care, voluntary benefits can help them cover expenses many plans won't, such as deductibles, co-pays and co-insurance. We can help you offer this added protection through employer-paid, shared or employee-paid plans.

1-to-1 counseling sessions

- Our expert benefit counselors will meet with employees face-to-face to help them understand any plan changes and customize their coverage to achieve the financial security they seek.

Other enrollment communication tools

- From digital enrollment notifications and online benefits education to on-site materials and in-person meetings, we can help your employees understand the benefits you offer, how health care reform affects them, and how to best protect what they've worked so hard to build.

Benefit statements

- We can provide benefit statements to employees at each enrollment. These statements act as a natural complement to the W-2 and Cadillac tax provisions because they outline what goes into the figure that appears on the employee's W-2.

End-to-end enrollment

- If we've enrolled your employees in their core benefits, we can be available to help enroll new hires and remove those who may opt out, if needed. Our enrollment system can help streamline this process for you.

Cafeteria plans

- Through our strategic partnership with Ameriflex, we can help our accounts establish simple cafeteria plans at no direct cost to them, as long as they maintain \$1,800 in Colonial Life premium.

Dependent verification

- Through our discussions and web-based enrollment process, we can verify eligible dependents, note reminders of new legislation, and make employees aware of important benefit offering details.

Section 125

- Many of our voluntary benefits may be pre-taxed through Section 125 to provide tax savings and make coverage more affordable.

Our voluntary benefits:

- Are not directly impacted by market reforms
- Can be offered in addition to qualified health insurance, or as supplemental coverage
- Are often exempt from:
 - Health plan design changes
 - Coverage requirements, including requirements for covering preventive services
 - Restrictions on limits
 - Loss ratio requirements
 - Coverage for dependents to age 26
 - Waiting period limits
 - Guaranteed issue (no pre-existing condition) requirements
 - Summary of Benefits and Coverage document requirements

To learn more about the ACA,

visit healthcare.gov or talk to your:

- Tax advisor
- Health insurance carrier(s)
- Colonial Life sales representative or broker

To learn more about how we can help you protect your employees, save time and money, and navigate health care reform, contact your Colonial Life representative.

Your employees may benefit from:

- Disability insurance
- Accident insurance
- Cancer insurance
- Critical illness insurance
- Supplemental life insurance
- Hospital confinement indemnity insurance
- Dental insurance

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