

# Solutions for ACA Implementation



## EMPLOYER PENALTIES: HOW DO YOU KNOW?

When			
<b>Section 1411 Certification</b>	2015	Right to appeal	<ul style="list-style-type: none"> <li>• From the Marketplace</li> <li>• Certifies that EE has qualified for a subsidy – may trigger penalty</li> </ul>
<b>IRS Initial Contact</b>	Fall 2016 for 2015	Right to respond	<ul style="list-style-type: none"> <li>• Written communication to ER</li> <li>• Will summarize potential penalty</li> </ul>

### IRS Issues Notice & Demand for Payment

## EMPLOYER MANDATE JAN. 2015

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### Employer “Play or Pay” rules become effective

#### “A” PENALTY

- FT employees only
- 70% vs. 95%
- Ignore minimum value & affordability
- Penalty of \$2,080/year/FT employee – less deductible [If even one FT employee receives a subsidy]

**AVOID AT ALL COSTS (UNLESS INTENTIONAL FAILURE)**

#### “B” PENALTY

- FT employees only
- Does coverage provide minimum value?
- Is coverage affordable?
- Penalty of \$3,120/year/FT employee who receives a subsidy
- **Much more room for design ideas than with “a” penalty**



## AFFORDABILITY

**Employee share < 9.56% of employee household income**

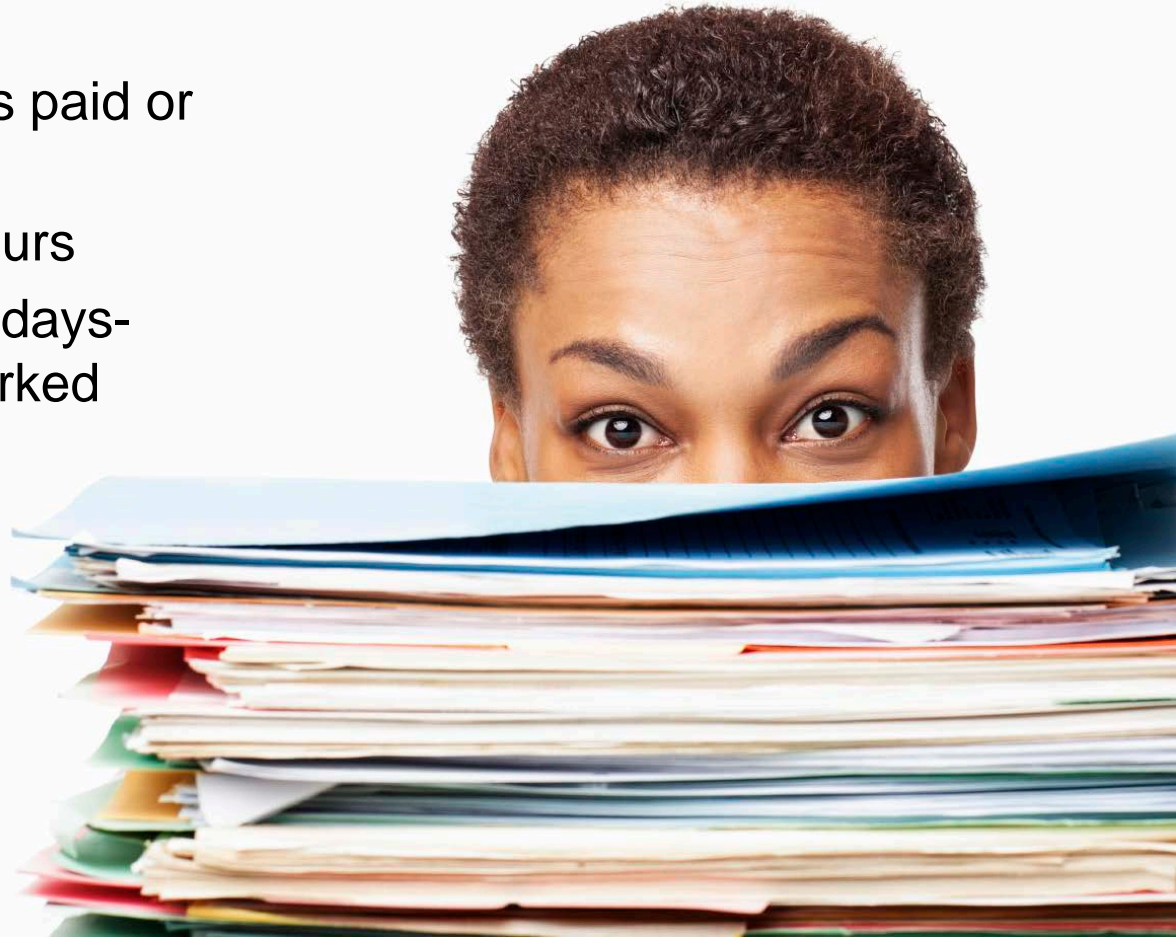
Cost of lowest priced single coverage

**Three Safe Harbors available (9.5%):**

- W-2  
[reduced income issue]
- Rate of Pay  
[reduced hours issue]
- Poverty line  
[low annual rate issue]

# FULL TIME EMPLOYEE MEASUREMENT

- Who is full-time is critical!!
- Monthly measurement is ACA default
- Count all hours an EE is paid or entitled to be paid
  1. hourly: use actual hours
  2. salary: use actual or days-worked or weeks-worked equivalencies
- Monthly measurement can get cumbersome!



# FULL TIME EMPLOYEE MEASUREMENT: LOOK-BACK METHOD

- Useful if many part-time, variable hour and/or seasonal employees
- Someone has to 'mind the store' and track ongoing measurements

## **These must be updated for look-back measurement period:**

- Plan document eligibility provisions
- Summary Plan Description eligibility language
- Employee Handbook descriptions

# FULL TIME EMPLOYEE MEASUREMENT: LOOK-BACK METHOD

## **New EEs**

- Classified as a Variable Hour EE if reasonably expected to work <30 hours/week and weekly hours are uncertain
- Classified as a Seasonal Employee if reasonably expected to be a Seasonal Employee even if >30 hours/week

**May use an Initial Measurement Period (IMP) process**

## REQUIRED REPORTING: FORM 1095 SERIES

### Form 1095

-A	Marketplace Statement	(issued in January for 2014)
-B	Minimum Essential Coverage (MEC) Reporting	2014 Optional 2015 Required
-C	Applicable Large Employer (ALE) Reporting	2014 Optional 2015 Required

Timing: Same as Form W-2

- Provide to individuals by 1/31
- Provide to IRS by 2/28 (paper) or 3/31 (electronic)

### **GOOD FAITH STANDARD FOR 2015 PENALTY RELIEF**



## FORM 1094-C REPORTING

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- **Lines 19-21:** Aggregated Applicable Large Employer (ALE) Group
- **Line 22:** Certifications of Eligibility
  - Qualifying Offer Method
  - Qualifying Offer Method Transition Relief
  - Section 4980H Transition Relief
  - 98% Offer Method
- **Part III:** ALE Member Information - Monthly

## FORM 1095-C REPORTING

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- **Part II:** Employee Offer of Coverage
  - Who is a full-time employee?
  - What about employees on COBRA?
  - How do opt-out benefits impact “Affordability”?
- **Part III:** Only required for self-insured plans  
What about retirees and other beneficiaries?

**Part II Employee Offer and Coverage**

	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	
<b>14</b> Offer of Coverage (enter required code)											

## Part II, Line 14: Codes

**1A** Qualifying offer

**1B** MEC providing minimum value offered to employee only

**1C** MEC providing minimum value offered to employee, and at least MEC offered to dependent children (NOT to spouse)

**1D** MEC providing minimum value offered to employee, and at least MEC offered to spouse (NOT to dependent children)

**1E** MEC providing minimum value offered to full-time employee; employee and spouse; or employee, spouse AND dependent children

**1F** MEC not providing minimum value offered to employee; employee and spouse; or employee, spouse and dependent children

**1G** Offer of coverage to employee who was not a full-time employee during calendar year and who enrolled in self-funded coverage for one or more month of calendar year

**1H** No offer of coverage

**1I** Qualified Offer Transition Relief 2015

16 Applicable Section 4980H Safe Harbor (enter code, if applicable)												

## Part II, Line 16: Codes

- 2A Employee is not employed during the month

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- 2B Employee is not a full-time employee

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- 2C Employee enrolled in coverage offered. Use 2C regardless of whether any other Series Code 2 may apply if the employee is enrolled in health coverage

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- 2D Employee is in a Section 4980H (b) limited non-assessment period. Do NOT use 2B for a variable hour employee in an initial measurement period

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- 2E Multiemployer interim rule relief. Employers should use this code when coverage is offered through a third party

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- 2F The employer used the Form W-2 safe harbor to determine affordability

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- 2G The employer used the FPL safe harbor to determine affordability for this specific employee for any month of the calendar year

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- 2H The employer used the rate of pay safe harbor to determine affordability for any month of the calendar year

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- 2I Non-calendar year Transition relief applies to this employee for the specific month

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# CADILLAC TAX – TIME TO PREPARE FOR 2018

- Excise Tax on “high-cost employer sponsored health coverage”
- 40% nondeductible excise tax  
[Who is responsible for paying the tax?]
- Tax applies to:
  - Contributions to health flexible spending accounts (FSAs)
  - Contributions to Health Savings Accounts (HSAs)
  - Health Reimbursement Arrangements (HRAs)



# CADILLAC TAX – COMPUTING THE EXCISE TAX

- What is taken into account?
- “Aggregate cost of employer-sponsored coverage”
- “Excess Benefit”
- “Applicable Dollar Limit”
  - \$10,200 for self-only coverage
  - \$27,500 for other than self-only coverage
  - “Health cost adjustment percentage”
- Other Adjustments
  - Age and gender
  - Inflation
  - Certain individuals

## INTERESTED IN MORE? CONTACT US.

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