South Dakota Association of School Business Officials 49th Annual Spring Conference

Affordable Care Act Update

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ACA....where are we today?

- Transitional Plans were created for small non-grandfathered groups
- Copays apply to out of pocket maximum for all non-grandfathered plans
- Small group and individual ACA plans are available
- Subsidies are available to qualifying people on the individual exchange

Household Size	400% of FPL
1	$47,080
2	$63,720
3	$80,360
4	$97,000
Each Additional Person Adds	$16,640

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ACA Market

What is an ACA plan?

- Metallic Plans (Platinum, Gold, Silver, Bronze) based on the Actuarial Value of each plan
- Plans are required to be rated by the age of each member (per member rating)
- Plans are standard across all employers under an insurance company
- Rates are standard across all employers under an insurance company
- Plans are not underwritten based on their individual claims experience

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Small Group/Individual ACA Market

- The ACA market is currently being subsidized by the Federal Government via:
  - a Risk Corridor program (small group and individual)
  - and a reinsurance program (individual only)
- These programs are temporary programs (2014-2016) and will expire at the end of 2016.
- Upon expiration there will likely be a significant increase nationwide in ACA premium rates due to this program

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The ACA……..what does 2017 bring?

- Small, fully insured Groups will be required to move to "Metal level" qualified health plans upon renewal.
- Large Groups will be re-defined as "small" groups with 100 or fewer total employees upon renewal in 2016.
- Pay-Or-Play mandates will be in effect for all employers with 50 or more employees.

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PPACA in 2015 and 2016

Many aspects of the ACA have been delayed into 2015 or 2016

- Small Non-Grandfathered Groups can "keep their plans" until renewal on or after 10/1/2016 (For schools that means July 2017)
- Pay-or-Play Penalties have been delayed until 2016 for Mid-Sized Employers (50-100 FTEs) and have been modified for Large Employers (100+ FTEs) in 2015
- Discrimination Rules have yet to be defined

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PPACA in 2015 and 2016

For Large Non-Grandfathered Plans

- All copays will apply to the Out-Of-Pocket Maximum upon renewal
- The maximum single out-of-pocket maximum can only be $6,850 and $13,700 for families
- Large Grandfathered Plans do not need to meet these requirements until they become Non-Grandfathered

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Employer Responsibility Rules

Mid-Size Employers (50-99) must offer "affordable coverage" to all full-time employees in 2016 or pay a penalty

Large Employers (100+) must offer "affordable coverage" to 70% of full-time employees or pay a penalty in 2015 or pay a penalty. Increases to 95% of full-time employees in 2016.

What is considered "affordable" coverage?

The employee's cost for self-only coverage under the lowest cost option plan does not exceed 9.5% of the individual's income as reported on their W-2, Box 1 (safe harbor) or based on their rate of pay

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Large Employer Play-or-Pay Mandate

Implementation Timeline Delayed:

- 2015 Large Employer– At least 100 full-time employees (including FTEs) in 2014, would be considered a large employer in 2015 and be subject to the Play-or-Pay.
- 2016 Mid-Size Large Employer– Between 50-99 full-time employees (including FTEs) in 2015, would be considered a large employer in 2016 and subject to the Play-or-Pay Mandate.

Large or Small Employer Status

- Employers must determine each year, based on current number of employees (FTs+FTEs) whether they will be considered a large group for the next year
  - If employer has at least 50 full-time employees (including full-time equivalents) in 2014, it will be considered a large group in 2015.
  - Employers average their number of employees across months in the year to see if they meet the threshold

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Employer Responsibility Rules

Small Employer – Under 50 (FTEs):

- Don't have to offer coverage, but if they do:
  - Grandfathered plans can remain in place until they voluntarily move to ACA-compliant plan or until they make a change that causes them to lose Grandfathered status
  - Non-grandfathered plans are required to offer all the "Essential Health Benefit Designs" and Per-Member rating by Oct. 1, 2017 (transitional policies)
- As a small employer you are not subject to the "play or pay" penalties

Mid-Size Employer – 50-99 (FTEs):

- Subject to "play or pay" penalties in 2016
- Plans offered need to be both affordable and meet minimum essential coverage

Large Employer - 100 + (FTEs):

- Subject to "play or pay" penalties in 2015
- Plans offered need to be both affordable and meet minimum essential coverage

Large Employers…

You must identify who you must offer coverage to by counting hours…

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Large Employer Status – Counting Hours

Definitions: **For shared-responsibility purposes…**

- **Full-time employee** is anyone who works on average at least 30 hours per week OR 130 hours per month on average
- **Variable hour employee** means it cannot be determined that the employee is reasonably expected to work an average of 30 hours a week when hired:
  - **Seasonal employee includes** employees who work for 120 days or less during a calendar year.
  - **Part time employees** who work less than 30 hours per week on average

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Should you Play-or-Pay?

How to avoid Large Employer Penalties

Offer coverage that is "affordable" and meets "minimum essential coverage" to at least 70% (in 2015, 95% in 2016) to full-time employees and their dependents (excludes spouses)

What is considered "affordable" coverage?

The employee's cost for self-only coverage under the lowest cost option plan does not exceed 9.5% of the individual's income as reported on their W-2, Box 1 (safe harbor) or rate of pay

What is considered "minimum essential coverage"?

If it is designed to pay at least 60% of the costs incurred under the group health plan.

Should you Play-or-Pay?

How to avoid Large Employer Penalties

- What full-time employees now pay more than 9.5% of their base pay on healthcare premiums?
  - These are the employees that might drop employer coverage to purchase on the insurance exchange
  - Are these employees less than 30% of your full-time employees?
  - If more than 30%, these are the employees that might trigger a penalty
- Answer these questions now to help make plan changes for 2016
  - Should you offer more affordable plan options?
  - Should you change your contribution levels?

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Internal Revenue Code Sections 6055 and 6056 reporting requirements related to the Affordable Care Act

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6055/6056 Reporting Requirements

Internal Revenue Code Sections 6055 and 6056 reporting requirements related to the Affordable Care Act (ACA)

Why is this new reporting necessary?

- As of Jan. 1, 2014, most U.S. citizens and lawfully present individuals are required to have “minimum essential coverage” or pay a tax penalty.
- Insurers and employers must report to the IRS who had insurance and who didn’t so the IRS can appropriately penalize those without insurance.

When is this reporting required?

- Effective Jan. 1, 2015, to be reported in 2016.

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6055/6056 Reporting Requirements

Who does this reporting apply to?

- 6055 applies to any size employer that provides "minimum essential coverage" to an individual. Minimum essential coverage includes any employer-sponsored group health plan (except for dental or vision benefits)
  - i.e. coverage with 60% actuarial value

- 6056 applies to large employers (i.e. those with 50 or more full-time employees (including full-time equivalents)
  - Used to identify large employers who may be subject to the pay-or-plan penalty

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6055 Reporting Requirements

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6055 Reporting Requirements

Who will file the 6055?

- If you're a fully-insured plan, your insurance company will file your 6055 for you.
- If you're self-funded, you must file it yourself or designate your TPA.

Who is the 6055 filed to?

- To the IRS for 2015 (due in early 2016); and
- To the employees, so they can report their coverage when filing their personal federal taxes.

Is the deadline for employee reporting the same as the IRS reporting deadline?

- No. The statement to employees must be furnished on or before January 31 of the year following the calendar year in which you provide them with coverage, regardless of your plan year. The IRS return is due on or before February 28th of each year.

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6055 Reporting Requirements

What information must be reported to the IRS?

- Health Plan or TPA company name, address and Employer Identification Number (EIN) of the reporting entity required to file the return
- Name, address and TIN/SSN (or date of birth if a TIN/SSN is not available), of the covered employee and all their covered dependents
- Don’t need to report individuals who waived coverage

What information must be reported to the employee?

- Health Plan or TPA company name, address and Employer Identification Number (EIN) of the reporting entity required to file the return
- Name, address and TIN/SSN (or date of birth if a TIN/SSN is not available), of the covered employee and all their covered dependents
- The phone number for a person designated as the reporting entity’s contact person and policy number

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6056 Reporting Requirements

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6056 Reporting Requirements

Who will file the 6056?

- The large employer must file the 6056 (not the insurer or your TPA)
- The IRS will use this information to determine if the employer has to pay any penalties for failing to offer coverage or failing to offer coverage that meets minimum value and is affordable.

Who is the 6056 filed to?

- To the IRS for 2015 (due in early 2016); and
- To the employees, so they can determine if they are eligible for a premium tax credit for health insurance through the Marketplace

Is the deadline for employee reporting the same as the IRS reporting deadline?

- Yes, the reporting to both employees and the IRS for 2015 is due in early 2016.

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6056 Reporting Requirements

What information required to reported to full-time employees?

- Name, address and EIN of the large employer
- Employer location and contact information, employee address and TIN/SSN, and information about the employer's health care coverage.
- Information as to whether the coverage offered to full-time employees and their dependents provides minimum value and whether the employee had the opportunity to enroll his or her spouse in the coverage.
- The total number of employees, by calendar month.
- Whether an employee's effective date of coverage was affected by a permissible waiting period.

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6056 Reporting Requirements

What information is required to be reported to the IRS?

- Employer's name, the date, and the employer's EIN
- The name and telephone number of the employer's contact person
- The calendar year for which the information is reported
- A certification as to whether you offered your full-time employees (and their dependents) the opportunity to enroll in minimum essential coverage under your plan by calendar month
- The months during the calendar year for which coverage under your plan was available
- Each full-time employee's share of the lowest cost monthly premium for self-only coverage for coverage providing minimum value offered to that full-time employee under your plan, by calendar month
- The number of full-time employees for each month during the calendar year
- The name, address, and taxpayer ID number (TIN) of each full-time employee during the calendar year and the months, if any, during which the employee was covered under the plan.

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6056 Reporting Requirements

What forms must employers we use to file the 6056 return?

- Similar to a W-2, the filing may be made on IRS Form 1095-C for every full-time employee. The return will be filed with a single transmittal form, Form 1094-C (similar to the W-3). These forms are being created by the IRS for the new § 6056 return and will be released once finalized.

What is the deadline for filing the 6056 return with the IRS?

- The return must be filed with the IRS on or before February 28th of the year following the calendar year in which you provided minimum essential coverage regardless of your plan year. The return can be filed electronically and high-volume filers (those that file 250 or more returns of any type (e.g. W-2s, 1099s, income, employment or excise tax returns) during the calendar year) must file electronically.

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6056 Reporting Requirements

Do large employers have to file a 6056 return for full-time employees that are offered our coverage but waive it?

Yes.

Do large employers have to file a 6056 return for full-time employees that are not offered our coverage?

Yes.

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What's still to come:

- Updates to the ACA fees:
  - Patient Centered Outcomes Research Trust Fund (PCOR) Fee will increase with inflation
  - Temporary Transitional Reinsurance Program will increase
  - Risk Adjuster Fee for small, Non-Grandfathered plans will increase
  - Health Insurance Industry Fee will increase

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What's still to come:

- Still waiting for guidance and enforcement dates for non-discrimination rules for highly compensated employees
- Additional guidance on the incentive wellness programs was just released
- Summary of Benefits & Coverage will change again in 2017
- The Cadillac Tax

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Sanford Health Plan is committed to providing information to help you understand the many layers of Health Care Reform and how it may impact your business. We appreciate your time today and please contact our team at any time or visit the Health Care Reform section of our website at sanfordhealthplan.com

Questions? Thank you…

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