QUICK BENEFIT BLAST

JULY 2013 PPACA COMPLIANCE UPDATE

1) ***Non-Compliance Enforcement is outlined in our Quick Benefit Blast from January 15th, 2013***.

2) ***How do I safely reduce part-time hours to lower my total Fulltime Equivalents (FTE's)?***

   ***** Play or Pay Penalties for Employers with 50+ Employees has been delayed to become effective in 2015.*****

   a. Reduce hours for organization issues and efficiency. Balance the number of fulltime and part-time employees and offer all existing part-timer's a chance to apply for a fulltime position before you look outside the organization, if you are reducing part-timers.
   b. Reduce the number of part-time employees and have a mandatory overtime policy for fulltime employees.

3) ***P.C.O.R.I. Tax of $1.00/health plan member/year for 2012 is due on IRS Form 720 (link to form) by July 31, 2013 for self funded and fully insured (all sizes) employers.*** Contact your benefit advisor or accountant to be sure this is completed. Armitage will be offering calculation services for all PPACA taxes and fees.
   a. Check on the P.C.O.R.I. status of your HRA and FSA. Those P.C.O.R.I. fees will be based on the number of employees on the plan.
   b. Self Funded plans linked with an HRA or FSA with same contract dates have only one member fee.
   c. For groups that are fully insured, the insurance company will be responsible for submitting these P.C.O.R.I. fees.

4) **An EAP Plan** is an employee count, and subject to PCORI fees, if not part of a health or long term disability plan. The EAP plan is considered "medical treatment" and reported on the 5500 Form if it covers more than 3 visits.

5) ***How you handle wellness discounts will affect how you design benefits to test plan affordability and increase Aggregate Value for the Cadillac Tax.*** (See attached Cadillac Tax and Aggregate Value document). This is a possible 2018 40% Excise Tax paid by the employee.

   Wellness and the 9.5% Affordability Test

   a. Wellness payroll deduction rewards can reduce the employee's premium. However, it does not reduce the single premium when applying the 9.5% Affordability Test. The employee just pays less premium.
   b. However, the extra 20% rewards for Tobacco Cessation participants as a payroll deduction reduction can reduce the single premium when applying the 9.5% Affordability Test. Your plan may have to be more affordable in relation to their income. You may want to use cash bonuses for the 20% inducement.

6) **Complete PPACA Compliance services will be rolled out after 7/15/2013 for Armitage clients.** If you are interested in these services, please contact us.

7) **The 10/1/2013 Coverage and Exchange Option Disclosure (CEOD)** must be issued by employers with and without a health plan.

8) Summary Example of **PPACA Filings and Taxes** attached.

Have a Joyous 4th!

Note: Please refer to your legal counsel or tax advisor concerning legal and tax issues that are not insurance carrier contract or insurance practice related. Armitage does not provide legal or tax advice.

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"ABC Company" 7/03/13

PPACA Filings and New Taxes: All Size Employers are Involved ©

2012-2013	***Who is Responsible?***
+.9% Medicare Tax on $250,000+ Earners and 3.8% Tax on Unearned Income	*US Taxpayers to IRS* *(Tax Professional)*
2.3% Tax on Medical Devices	*MD or Hospital to IRS*
ALL: HHS Quality Data Report (No Guidance)	*Employer to HHS* *(HR)*
ALL: HHS P.C.O.R.I. Fee of $1.00/covered member/year (Health & HRA) 2012 PCORI Fee Paid 7/31/2013 - **$61 (Health) + (HRA or FSA Count) = $? Total** *(Comparative Effectiveness Research Fee for the Patient Centered Outcomes Research Institute)* **Fully Insured: PCORI Fee included in Premium and submitted by Insurance Company.**	*Employer to IRS-Form 720 for Self Funded Only* *(Tax Professional)*
2014	***Who is Responsible?***
50+ FTE "Play or Pay" Penalties of $2,000 or $3,000/eligible/an. paid 2014. Penalties based on selected ISMP period in 2013 and same in subsequent years.	*Employer to Exchange?* *(Tax Professional)*
FULLY INSURED: HHS Health Insurance Premium Tax of 2% per Year (3% in 2015) for insured plans, on top of 3% state premium tax.	*Insurance Company to HHS* *(HR)*
ALL: HHS PCORI Fee of $2.00/covered member/year paid on 7/31/14 for 2013, and 7/31/15 for 2014. *(61 x $2 =* ***$122****)* ***(Total for Health + HRA Count)*** **Fully Insured Groups: PCORI Fee Included in Premium**	*Employer to IRS-Form 720 for Self Funded Only* *(Tax Professional)*
INSURED: Excise Tax on Premium (Advanced Premium Tax Credit-APTC) to support the Exchange Subsidy and Cost Share Reduction of 2.46% of Premium. 2013 cost paid 1/31/14 and 2014 cost paid 1/31/15. *2.46% x $209,028/an. cost =* ***$5,142.09****/an.*	*Insurance Company to Exchange or ASO Group to Exchange?* *(Tax Professional)*
ALL: Exchange Reinsurance Fee (ERF) of $5.25/member/month – 2013 ERF paid 12/31/2014 (2014-2018 from Plan Assets, Tax Deductible) Calculate 2014 Report to HHS by 11/15/14, then HHS bills Employer *61 x $5.25 x 12 =* ***$3,843****/an.*	*Employer to HHS* *(Tax Professional)*
INSURED: Risk Adjustment Fee (RAF) for Individual Adverse Selection-Premium Load	*Employer to Insurance Company to Insurers in the Negative Participating in the Exchange (HR)*
2015	***Who is Responsible?***
ALL: On January 31st of years following 2014, IRS "coverage options" Report Notice – Five points of plan data and detailed employee insured data (N/2012-33) (100+ Employees: 5500's still needed) - 1/31/2015 First Report	*Employer to IRS* *(Tax Professional)*
2018	***Who is Responsible?***
High Cost Insurance Tax – 40% Cadillac Excise Tax on Excess "Aggregate Value" over $10,200/an. Single and $27,500/an. Family	*TPA or Insurance Company to IRS* *(Tax Professional)*

Note:
1) Aggregate Value on 2012 W-2 Value Report in 2013 for over 250+ FTE's
2) Under 250 FTE's Report 2013 Aggregate Value in 2014 for all employers.

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3/4/2013

Disclosure Forms and Counseling of Employees for All Size Employers

2012

Summary of Benefits and Coverage (SBC)

2013

"Summer of 2013 "-Employer Coverage and Exchange Option Disclosure (C.E.O.D.) to every employee by state of residence. 10/1/2013

Material Modification Notice 60 Days Prior to Modification outside renewal period or as needed for communication.

- New SBC

Annually – Selection of Actuarial Value Health Options

Annually – Pay or Play FTE Calculations (for 50+ Employees) and Employer Balances Non-Aggregate Value Benefit Design RP (Replay)- 25 or fewer employees' groups calculate credit or consider shop exchanges.

Annually - September 23rd Coverage and Exchange Options Disclosure (CEOD) Disclosure by Employee's State of Residence.

Annually - September 23rd Employee Exchange Options Counseling (Navigator and Agent)

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Cadillac Tax and Planning Aggregate Value Reporting

June 18, 2013

I. <u>Cadillac Tax – 2018 Aggregate Values</u>

40% Excise Tax on Amount over Aggregate Value Limits of $10,200 Single and $27,500 Family

II. <u>Single and Family Maximum Contributions - Annual</u>

Single Max. Rate:	$________	Family Max. Rate:	$___________
Single HSA Cont.:	$________	Family HSA Cont.	$___________
Total:	$________	Total:	$___________

III. <u>You Should Look at Future Benefit Design to Determine if a 40% Excise Tax for Employees on a small number is better or worse than the taxes on an income increase. How do you avoid the Cadillac Tax and reduce income tax (Box 1 of W-2) to reduce tax in delivering benefit options?</u>

A. What is included in Aggregate Value Box 12DD and how can we drop Box 1 Taxable Income? (#1 Max 401k)

1. Employers must report the following in the Aggregate Value – Pre-tax
   a. Medical Plans
   b. Medical Supplement Plans
   c. Hospital Indemnity Plans – Pretax employer
   d. FSA Pre-Tax Employer Contribution
   e. HSA Pre-Tax Employer Contribution
   f. HRA if linked to health plan
   g. Onsite clinics (not wellness centers)
   h. If included in Cobra premiums paid by employer: EAP Cost and Wellness Programs
   i. Voluntary Benefits paid Pre-tax, except accident plans.

2. Not reported in Aggregate Value – Most after tax payments or:
   a. HIPAA excepted – Accident and Disability Insurance
   b. If paid with after tax dollars: Hospital Indemnity Plans, Critical Illness, Cancer, Fixed Income or Specified Disease plans.
   c. Long Term Care premiums paid pre-tax (HSA) or after tax.
   d. Liability Insurance paid pre-tax or after tax.
   e. Life Insurance premiums paid pre-tax or after tax.
   f. Medical Saving Accounts
   g. Freestanding HRA's or Employee Contributions to HRA's.
   h. HSA Contributions by the Employee.

i. FSA employee contributions by employee salary reduction (employer contributions reported)
j. Worker's Compensation
k. Auto Med Pay
l. Tax Deductible wellness program expenses by employer limited to 30% of single medical premium per employee per year.

B. If you want to benefit employees and keep them out of the Cadillac Tax arena, you may want to consider the administration of a full cafeteria plan. More things become employee pre-tax, non-reportable choices in the Aggregate Value. What would the design look like?

1. A core health plan, 401k, Life, LTD (corp mandatory), and all other choices are pre-tax employee decisions from a gross wage number. Elections annually for HIPPA. Higher wages with benefits paid after tax.

2. This moves these pre-tax plans out of the aggregate value (pre-tax by employee):

   a. Hospital Indemnity Plan
   b. FSA $2,500, <u>Unlimited Premium</u> for non-aggregate plans, and $5,000 Dependent Care
   c. HSA Deposit Elections from wages by employee.
   d. HRA employees – Free standing
   e. Pre-fund Cobra in HRA
   f. Other after tax elections or 162 bonus plans.

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