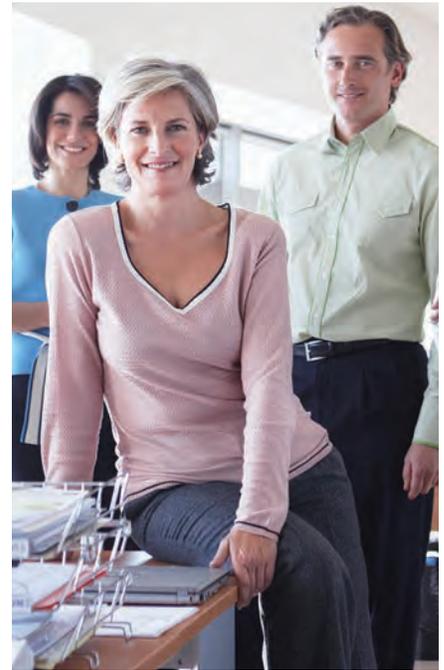


# 2015-2016: What You Need To Know About The Affordable Care Act



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Excellus  

National strength. Local focus. Individual care.<sup>SM</sup>

We are committed to making sure you have the information you need to stay ahead of changes that may impact you and your business. This guide includes details about key components of the Affordable Care Act that will help you plan for the future and stay compliant.

This information is to help you prepare. You should contact your tax advisor and legal counsel to determine the steps you need to take to comply with the legislation.

## Table Of Contents

<b>Health Care Reform is Now Health Care</b>	<b>Page 1</b>
Key Components of the Affordable Care Act	
Taxes and Fees	
Coming soon: Cadillac Tax	
<b>What Small Employers Need to Know</b>	<b>Page 5</b>
Employers with 51-100 employees move to Community Rated plans	
Check if you're still an "Applicable Large Employer"	
Action Plan for Small Employers	
<b>What Large Employers Need to Know</b>	<b>Page 7</b>
Employer Shared Responsibility	
Minimum Essential Coverage Reporting	
Action Plan for Large Employers	
<b>Timeline</b>	<b>Page 11</b>



# Health Care Reform is Now Health Care



## Key Components of the Affordable Care Act (ACA)

- Provisions of the Affordable Care Act implemented between 2010 and 2014 are now part of everyday health care
  - Preventive Services
    - Essential Health Benefits



- Community Rated products fall into one of four metal levels



<b>Plan Pays:</b>	90%	80%	70%	60%
<b>Members Pays:</b>	10%	20%	30%	40%

- Dependents covered up to age 26
- Individuals and small businesses can buy health insurance on NY State of Health

## Taxes & Fees

The Affordable Care Act introduced a number of taxes and fees that affect the cost of premiums. These taxes and fees keep the market stable and continue to fund parts of the ACA.

### Not all fees are permanent:

- Reinsurance Fee ends after 2016
- PCORI Fee ends after 2019

		Amount	What it pays
Health Insurance Companies	Excise Tax	\$8 billion (2014) - \$14.3 billion (2018)	Helps fund premium tax credits for individuals and families
	Transitional Reinsurance Fee	\$2.25/enrollee/month	Helps stabilize the health insurance industry during the first years of Health Care Reform
	Risk Adjustment Fee	\$1.75/enrollee/year	Helps stabilize individual, family and small business health insurance markets
	PCORI Fee	\$2 + inflation per average number of covered members	Helps fund research to improve health care decisions and delivery
Self-funded employers	Cadillac Tax	40% tax on employer health insurance premiums that exceed IRS annual limits	Tax on high cost health insurance, beginning in 2018
	Transitional Reinsurance Fee (for self-funded plans)	\$2.25/enrollee/month	Helps stabilize the health insurance industry during the first years of Health Care Reform
	PCORI Fee (for Self-Funded, HRA and HSA Plans only)	\$2 + inflation per average number of covered members	Helps fund research to improve health care decisions and delivery
For Individuals	Medicare Surcharge	0.9% gross income	Supports the Medicare program and only applies to those earning more than \$200,000 (single) and \$250,000 (married)

## Coming soon: Cadillac Tax

The Affordable Care Act introduced an Excise Tax on High Cost Employer-Sponsored Health Coverage, also known as the Cadillac Tax. The 40% tax on high cost premiums is meant to reduce employer-based health care spending.

### When does it apply?

The tax first applies to health coverage offered in 2018.

### What coverage is affected?

Any employer-sponsored health coverage that's deducted from an employee's gross income. This includes pre-tax coverage like medical plans and pre-tax contributions to FSAs and HSAs. It doesn't include coverage where medical isn't primary, like dental, vision, and disability coverage.

### Who pays the tax?

Fully insured health insurance	Health insurance company
Employer contributions to FSAs and HSAs	Employer
Self-funded health insurance	TBD: may be the TPA or plan sponsor

### How does it work?

The Cadillac tax is calculated on a monthly basis and applies when an employee enrolls in coverage that costs more than the monthly limit set by the IRS. The 40% tax applies to the amount over the monthly limit.

	Estimated Monthly Limit*:	Estimated Annual Limit*:
Self-only coverage:	\$850	\$10,200
Self + at least one dependent**:	\$2291.66	\$27,500

\*These limits apply in 2018, will increase each year to account for inflation, and may be higher for retirees ages 55-64 and employees in high-risk professions

\*\* Multi-employer coverage uses self + dependent limits

The IRS is still determining the exact details, but this is what we know so far. For more information, go to <http://www.irs.gov/Affordable-Care-Act/Affordable-Care-Act-Tax-Provisions>.

Excellus BCBS will keep you informed of any updates through our employer e-newsletter. Sign up at [ExcellusBCBS.com/EmployerEmail](http://ExcellusBCBS.com/EmployerEmail)

**Note:** Self-only and self + dependent coverage are calculated separately. For example, if an employee has self-only coverage for 3 months and self + spouse coverage for 9 months, the limit is \$850/month for the 3 months of self-only coverage and \$2291.66/month for the 9 months of self + spouse coverage.

## For example:

Let's say you offer two health plans:



Health Plan	
Plan A	Plan B
Single: \$1,000/month	Single: \$700/month
Family: \$2,500/month	Family: \$1,800/month



Employee Plan	
A single employee enrolls in Plan A	A single employee enrolls in Plan B



Calculate Cadillac Tax	
\$1,000 premium - \$850 monthly limit = \$150	\$700 premium - \$850 monthly limit = -\$150
40% of \$150 = \$60 owed for the Cadillac Tax	Cadillac Tax does not apply

# What Small Employers Need to Know



**New!** Beginning January 1, 2016, the federal government defines a Small Employer as one with 100 or fewer full-time equivalent (FTE) employees.

## If you have 50 or fewer FTE employees

Not much is changing this year. You can continue to buy your health insurance coverage directly from Excellus BlueCross BlueShield or through the New York State of Health Small Business Marketplace.

If you buy coverage through the Small Business Marketplace, talk to your tax advisor to see if you qualify for the small business tax credit.

## If you have 51-100 FTE employees

Employers with 51-100 employees will move to community-rated metal level products and will have the option to buy coverage through the New York State of Health Small Business Marketplace. We've identified employers that may be impacted by the proposed community rating change for renewals on or after January 1, 2016. Our account management team is working closely with the employers and their brokers to ensure they land in a plan that's not only compliant, but also meets the needs of their employees.

If you have more than 50 FTE employees, you may still be considered an "Applicable Large Employer." This means you need to think about how the Employer Shared Responsibility and Coverage Reporting mandates apply to your business. See page 7 for more information on additional requirements for Applicable Large Employers.

## Is My Business an Applicable Large Employer?

### Estimate Your Total Number of FTE Employees

÷ 120 +

= >50= Applicable Large Employer

Total hours worked per month by part-time employees (those working less than 30 hours per week)

Number of employees working 30 hours or more per week

## Your Employees Have Options

If you have employees who aren't eligible for your health insurance plan, they can still enroll in an Individual & Family plan directly through Excellus BCBS or the NY State of Health marketplace. Federal financial assistance is available to individuals who qualify based on household income and size. [Go to ChooseExcellus.com/Help](http://ChooseExcellus.com/Help) for more information.

## Your Action Plan At a Glance – Small Employers with 1-100 FTE employees

Action	Effective Date	Mandatory?	Create Your Action Plan
<b>Employer Shared Responsibility</b>			
Determine if you are an "Applicable Large Employer" with 50+ full-time equivalent employees	Review data annually	Yes	
If you have 50 or more full-time equivalent employees, offer coverage to full-time employees or you may pay a penalty	2016 and after	Yes	
<b>Reporting &amp; Notifications</b>			
Notify new employees about NY State of Health coverage options	Upon hire	Yes	
If you have 50 or more full-time equivalent employees, report minimum essential coverage on Form 1095-C	2015 plan year and after	Yes	
<b>Small Business Tax Credit</b>			
Determine if you qualify for the Small Business Tax Credit	File with income taxes	No	
<b>Provisions coming soon...</b>			
Cadillac Tax	2018	Yes	
Non-discrimination of highly compensated employees	TBD pending further guidance from IRS	Yes	
Report the cost of health insurance on employees' W-2 forms	TBD for employers who file fewer than 200 forms	Optional until further guidance from IRS	

# What Large Employers Need to Know



## Employer Shared Responsibility

The Affordable Care Act's Employer Shared Responsibility mandate requires "Applicable Large Employers" to offer health insurance to full-time employees and their dependent children OR pay a penalty. Penalties may also apply if you don't offer at least one plan that is affordable and provides Minimum Value.

### Affordable Coverage

- Coverage is affordable if an employee's share of the premium for self-only coverage is no more than 9.5% of their taxable household income.

You can use any or all of these methods to figure out if the coverage you offer is affordable:

1. The employee's share of self-only coverage is no more than their wages in Box 1 of their W-2 form
2. The employee's share of self-only coverage is no more than 9.5% of the employee's rate of pay multiplied by 130 hours
3. The employee's share of self-only coverage is no more than 9.5% of the Federal Poverty Level (FPL) for one person

An **Applicable Large Employer** has 50+ full-time equivalent employees  
(see page 5 for calculator)

A **full-time employee** works 30+ hours/week

Insurance would not be considered "affordable" if:

<b>Employee annual earnings:</b>	<b>\$30,000</b>	<b>\$50,000</b>
<b>Insurance plan: More than</b>	<b>\$238 per month</b>	<b>\$396 per month</b>

**IMPORTANT NOTE:** If you offer more than one health insurance plan, the affordability test applies to the lowest-cost plan available to each employee



## Coverage Reporting Requirements – “6055” and “6056” Returns

### Information Reporting of Offers of Health Insurance Coverage by Employers (“Section 6056 Returns”)

Employers with 50+ FTE employees must file returns (Forms 1094-C & 1095-C) to the IRS beginning in 2016 for calendar year 2015. These returns provide information to the IRS to show whether the employer is or is not providing coverage to employees and that coverage meets minimum value and affordability levels. These returns will show if employers are compliant with the Employer Shared Responsibility mandate.

In addition to the returns, employers must send a statement to each employee. These statements give employees information they need when they file their taxes. These statements are used to determine if employees were eligible for a federal premium tax credit.

\* Self-funded plan sponsors can use a combined form (Form 1095-C, including Part III) to file reporting information for both Sections 6055 and 6056.

### Information Reporting by Health Coverage Providers (“Section 6055 Returns”)

Insurance providers, including Excellus BCBS and self-funded plan sponsors, must report certain health coverage information to the IRS beginning in January 2016 for calendar year 2015. The information provided will include any months that individuals were covered by minimum essential coverage and will be used to verify the individual shared responsibility requirement.

In addition to the returns, Excellus BCBS and self-funded plan sponsors must send a statement to each employee. These statements give employees information they need when they file their taxes. They are used to determine if employees have to pay the Individual Mandate penalty for not having health insurance.

See the Group Administrator Guide for more information on how Excellus BCBS can help.



Action	Effective Date	Mandatory?	Create Your Action Plan
<b>Employer Shared Responsibility</b>			
If you have 50 or more full-time equivalent employees, offer coverage to full-time employees or you may pay a penalty	2016 and after	Yes	
<b>Grandfathered Plans</b>			
Review Grandfathered plans annually	Upon renewal	Yes (grandfathered plans only)	
<b>Reporting &amp; Notifications</b>			
Notify new employees about NY State of Health coverage options	Upon hire	Yes	
If you have 50 or more full-time equivalent employees, report minimum essential coverage on Form 1095-C	2015 plan year and after	Yes	
Report the cost of health insurance on employees' W-2 forms	Annually when you file W-2 forms	Yes; optional for employers who file fewer than 200 forms	
<b>Provisions coming soon...</b>			
Cadillac Tax	2018	Yes	
Non-discrimination of highly compensated employees	TBD pending further guidance from IRS	Yes	
Automatic enrollment of new employees	TBD pending further guidance from HHS	Yes, if you have 200+ employees	
Health Plan Identifier (HPID)	TBD until further notice from HHS	Yes, if you self-fund	

	<b>2015</b>	Employer Shared Responsibility begins for employers with 101+ FTE employees Coverage reporting for employers with 51+ FTE employees
	<b>2016</b>	Employers with 51-100 FTE employees become Community Rated Employer Shared Responsibility begins for employers with 51-100 First Minimum Essential Coverage reports are due.
	<b>2017</b>	State can choose to open health insurance marketplace to large employers
	<b>2018</b>	Cadillac Tax on plans with high premiums
	<b>TBD</b>	Non-discrimination rules for highly paid employees Auto-enrollment for employers with 200+ employees

Thank you for being our partners in health insurance. We will continue to keep you informed of any new guidance about the Affordable Care Act. Contact your Account Consultant for more information.

