



## HEALTH CARE REFORM: THE BASICS FOR SMALL AND LARGE EMPLOYERS

As more provisions of the Affordable Care Act (ACA) become reality, employers should be increasingly aware of the law's impact on their organization and on employees. Health care reform law will affect U.S. organizations of all sizes, whether or not they offer health insurance benefits to employees.

The key provisions of health care reform and implications for small, medium and large employers have been outlined below to help assist you.

### SMALL-BUSINESS TAX CREDITS

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If your full-time workforce has average wages of less than \$50,000, your business may be eligible for the Small Business Health Care Tax Credit for the 2014 and 2015 calendar years. The tax credit will be equal to 50% of your health insurance premium costs.<sup>1</sup> The credit is available only to employers who purchase insurance through the SHOP Marketplace.

### SMALL BUSINESS HEALTH OPTION PROGRAM (SHOP) MARKETPLACE

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Employers with up to 50 workers (in some states, up to 100) may choose to offer health insurance to all full-time employees through the SHOP Marketplace.

The SHOP employer-choice model is available for 2014. Employers can select one or more plans, and employees can choose their coverage from those options.

Beginning in 2015, the employee-choice SHOP model will be available. The employer will select an actuarial value level from four options: bronze, silver, gold and platinum. Employees then can select any of the plans offered at that level in their state. Also in 2015, the SHOP Marketplace will provide a group billing service to combine employees' premium costs and prepare a single invoice for the employer.

### EMPLOYER MANDATE

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The employer mandate is being delayed until 2015. At that time, large employers must either offer affordable, minimum value coverage to full-time employees and their dependents,<sup>1</sup> or pay a "shared responsibility payment" if one or more employees receives a premium tax credit or subsidy through the Health Insurance Marketplace.<sup>2</sup>



KEY

- S Small, up to 25 employees
- M Medium, 26-49 employees
- L Large, 50 or more employees

### NEW SUMMARY OF BENEFITS

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Health insurance applicants and enrollees will see a new summary of benefits and coverage notice, which explain their insurance coverage. Businesses with a self-funded plan must provide the new summary of benefits to each enrolling employee.<sup>3</sup>

<sup>1</sup> Internal Revenue Service, "Small Business Health Care Tax Credit for Small Employers," [irs.gov/uac/small-business-health-care-tax-credit-for-small-employers](http://irs.gov/uac/small-business-health-care-tax-credit-for-small-employers), 2013.

<sup>2</sup> Congressional Research Service, "Summary of Potential Employer Penalties under the Patient Protection and Affordable Care Act (ACA)," [www.ncsl.org/documents/health/EmployerPenalties.pdf](http://www.ncsl.org/documents/health/EmployerPenalties.pdf), 2010.

<sup>3</sup> Federal Register, "Summary of Benefits and Coverage and Uniform Glossary," [www.gpo.gov/fdsys/pkg/FR-2012-02-14/pdf/2012-3228.pdf](http://www.gpo.gov/fdsys/pkg/FR-2012-02-14/pdf/2012-3228.pdf), 2012.



### MEDICAL-LOSS REBATES

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Depending upon a group's size, the insurance company must use 80% or 85% of premium dollars to pay medical claims or otherwise improve healthcare quality. An insurer that misses the target must provide a rebate to the employer, who then will rebate a share to each employee.

### W-2 REPORTING

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Large employers—i.e., those issuing 250 or more W-2 forms in a calendar year—must report the total cost of group health plan coverage and certain pretax-funded supplemental health benefits on each employee's annual W-2. Reporting is optional for employers who file fewer than 250 W-2s. The purpose is to provide employees with information on the costs of their health plan coverage.

### FLEXIBLE SPENDING ACCOUNT (FSA) LIMITS

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The maximum annual pretax amount an employee may contribute to an employer-sponsored medical FSA is \$2,500. The maximum will be indexed for cost-of-living adjustments in future plan years.<sup>1</sup>

### EXTRA MEDICARE WITHHOLDING

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A new additional Medicare tax of 0.9% took effect in 2013, raising the Medicare tax rate for the highest wage earners from 1.45% to 2.35%. This rate applies to the individual's wages, Railroad Retirement Tax Act compensation and self-employment income that exceed \$250,000 for married taxpayers filing jointly, \$125,000 for married taxpayers filing separately and \$200,000 for most others. Employers are responsible for withholding the full Medicare tax amount from employee wages and compensation.<sup>2</sup>

### MEDICARE ASSESSMENT ON NET INVESTMENT INCOME

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Beginning in 2013, a new 3.8% net investment income tax applies to individuals, estates and trusts with net investment income and modified adjusted gross income that combine to exceed \$250,000 for married taxpayers filing jointly, \$125,000 for married taxpayers filing separately and \$200,000 for most others. The rate applies to all types of investment income, including interest, dividends, capital gains, rental and royalty income, nonqualified annuities, proceeds from trading financial instruments or commodities, and other types of passive income.<sup>3</sup>

### WAITING PERIOD LIMIT

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Beginning on January 1, 2014, the maximum permissible waiting period under an employer group health plan is 90 days.<sup>4</sup>

### TRANSITIONAL REINSURANCE PROGRAM CONTRIBUTIONS

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From 2014 through 2016, all group health plans are required to contribute a per-capita amount toward the individual insurance market's transitional reinsurance program. The amount is paid by the insurer or, for self-funded plans, by the third-party administrator.<sup>5</sup>



<sup>1</sup> Internal Revenue Service, "Section 125 Cafeteria Plans," [www.irs.gov/pub/irs-drop/n-12-40.pdf](http://www.irs.gov/pub/irs-drop/n-12-40.pdf), 2012.

<sup>2</sup> Small Business Administration, "Key Provisions under the Affordable Care Act," [www.sba.gov/healthcare](http://www.sba.gov/healthcare), 2013.

<sup>3</sup> Internal Revenue Service, "Net Investment Income Tax FAQs," [www.irs.gov/uac/newsroom/net-investment-income-tax-faqs](http://www.irs.gov/uac/newsroom/net-investment-income-tax-faqs), 2012.

<sup>4</sup> U.S. Department of Labor, "Frequently Asked Questions from Employers Regarding Automatic Enrollment, Employer Shared Responsibility and Waiting Periods," [www.dol.gov/ebsa/newsroom/tr12-01.html](http://www.dol.gov/ebsa/newsroom/tr12-01.html), 2012.

<sup>5</sup> Kaiser Family Foundation, "Implementation Timeline," [healthreform.kff.org/timeline.aspx](http://healthreform.kff.org/timeline.aspx), 2013.

## EMPLOYER WELLNESS INCENTIVES

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Health care reform increases the level of permissible rewards for health-contingent wellness incentives. These types of incentives generally require employees to meet a health standard (e.g., a normal BMI) to earn a reward. The maximum reward is now 30% of the total cost of health coverage. A higher reward—up to 50%—can be offered for programs that help employees reduce or quit tobacco use.<sup>1</sup>

## COVERAGE REPORTING

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Beginning with the 2015 plan year, all self-insured employers and all large employers subject to the employer mandate must report certain coverage information to the Internal Revenue Service. Reporting details include the names of covered employees, coverage dates and employer-paid premium amounts. On January 31 of each year, employers will be required to provide an individual statement with these details for each employee.<sup>2,3</sup>



<sup>1</sup> U.S. Department of Labor, “The Affordable Care Act and Wellness Programs,” [www.dol.gov/ebsa/newsroom/afswellnessprogram.html](http://www.dol.gov/ebsa/newsroom/afswellnessprogram.html), 2013.

<sup>2</sup> Internal Revenue Service, “Request for Comments on Reporting of Health Insurance Coverage,” [www.irs.gov/pub/irs-drop/n-12-32.pdf](http://www.irs.gov/pub/irs-drop/n-12-32.pdf), 2012.

<sup>3</sup> U.S. Department of Treasury, “Continuing to Implement the ACA in a Careful, Thoughtful Manner,” [www.treasury.gov/connect/blog/pages/continuing-to-implement-the-aca-in-a-careful-thoughtful-manner-.aspx](http://www.treasury.gov/connect/blog/pages/continuing-to-implement-the-aca-in-a-careful-thoughtful-manner-.aspx), 2013.

Washington National Insurance Company policies are not considered “qualified health plans” and do not provide essential health coverage as required by the Affordable Care Act. Washington National policies are considered “excepted benefits” policies which do not meet the individual mandate requirements of the Affordable Care Act.

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