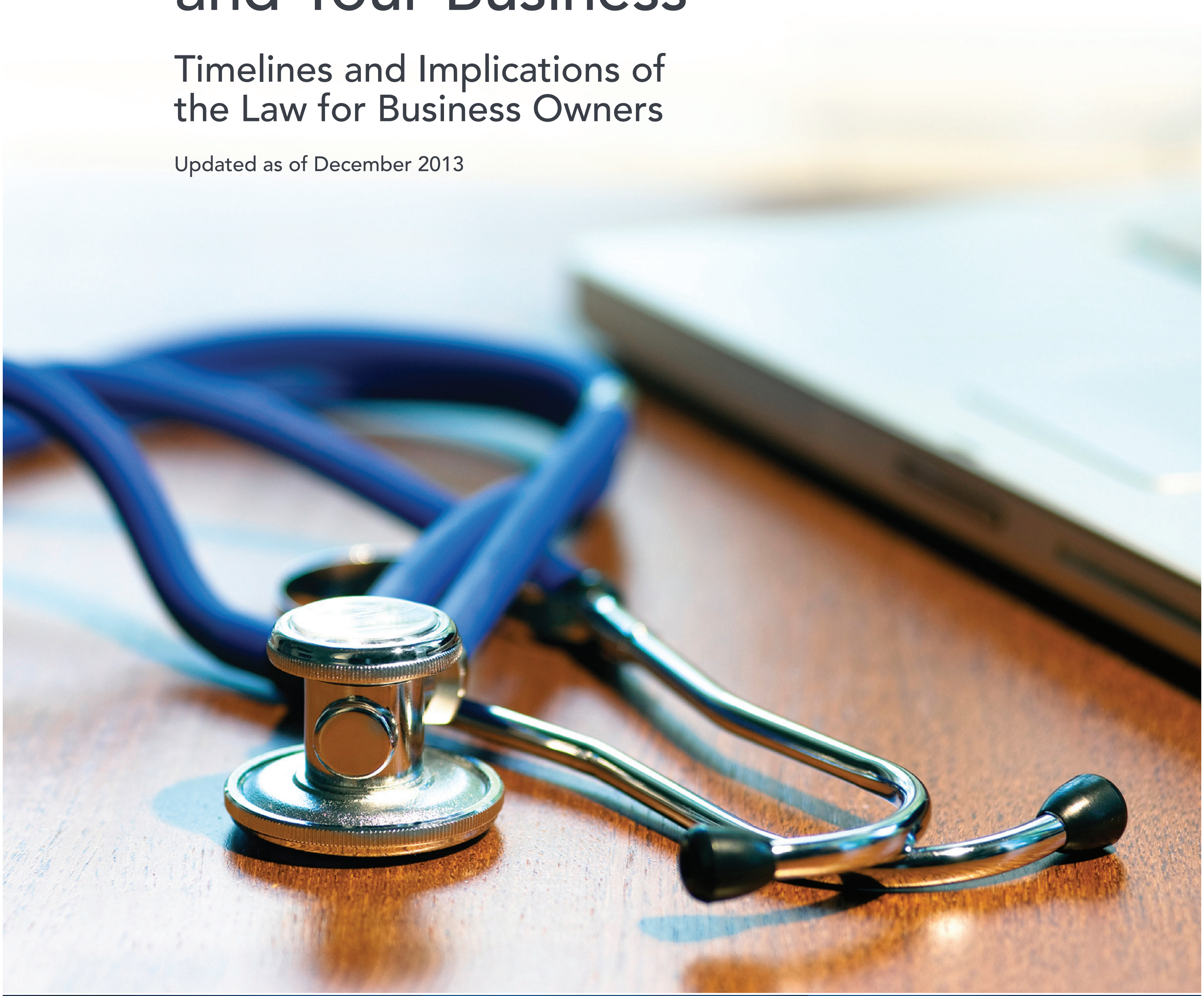
KRUGGEL LAWTON CPA

Health Care Reform and Your Business

Timelines and Implications of the Law for Business Owners

Updated as of December 2013



Health Care Reform and Your Business

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively referred to as "health care reform") were signed into law in March 2010. The law was upheld as constitutional by the U.S. Supreme Court in June 2012. The primary purpose of the law is to extend health care to millions of uninsured Americans.

To prepare for the short- and long-term impacts of this health care law, you should be aware of changes before they occur.

This overview highlights provisions of the law that may already be in effect or are planned to go into effect over the coming years, to help you understand these changes and the potential impacts to you, your organization and your employees. The provisions vary based on the number of full time equivalents (FTEs) and this overview provides two tables targeted to employers with 50 or more FTEs and employers with fewer than 50 FTEs. These changes may affect the health care options you provide your employees, in some cases giving you more flexibility than you've had before. You can also take advantage of tax credits that may be available to you, and you'll want to ensure that you are in compliance with these laws to minimize your risk of penalties and taxes.

As is often the case with long-range reform, however, some of the health care provisions will likely be modified or undergo changes before they take effect, and new provisions will undoubtedly emerge too.

Kruggel Lawton CPAs will help guide you through this law. For more information on upcoming provisions, contact us at 574.289.4011.

This overview highlights provisions of the law that may already be in effect or are planned to go into effect over the coming years, to help you understand these changes and the potential impacts to you, your organization and your employees.

Large Employer Health Care Provisions

A large employer generally is defined as one with **50 or more full-time employees or equivalents**. Review these highlighted provisions to better understand the new benefits and responsibilities for employers.

Large Employer Provisions

PROVISION	EMPLOYER SIZE	EFFECTIVE DATE	WHAT THIS MEANS FOR YOUR BUSINESS
Employer Shared Responsibility Provisions: For employers with 50 or more full-time employees (including full-time equivalents) who do not offer insurance, and where one or more full-time employees receives premium tax credit, the employer may pay $2,000 per full-time employee, less the first 30. For those who offer insurance and where at least one or more full-time employees receives premium tax credit, the employer may be required to pay the lesser of $2,000 per full-time employee less the first 30 or $3,000 per full-time employee receiving a premium tax credit (certain conditions apply).	50 or more full-time employees (including FTE employees)	2015 (amounts will be adjusted for inflation)	This fee will be computed annually. The assessment is a monthly calculation based on 1⁄12 of the annualized amount. When calculating the fee owed, an employer paying $2,000 per full-time employee would subtract the first 30 full-time employees. Also note that "full time" is defined as average working hours of at least 30 hours per week. Depending on your number of employees, the fees for not providing coverage can be significant. **Contact your benefits provider** for help with a cost/benefit analysis of providing coverage to all employees, as well as to review your employee benefit plan to help ensure your offered plans are qualified, as defined.
Annual Return: Employers will need to file an annual return reporting whether and what health insurance they offered full-time employees.	50 or more full-time employees (including FTE employees)	2015 (optional for 2014)	**Contact your CPA** to ensure that you are prepared to meet the appropriate health insurance coverage reporting requirements, which detail information for each full-time employee.
Waiting Period Limits: Businesses cannot have a waiting period longer than 90 calendar days for providing coverage to eligible employees.	All	2014	**Contact your benefits provider** to assist you with accurate eligibility reporting necessary to meet this requirement.
Lifetime Limits: Employer-sponsored plans cannot have lifetime dollar limits on essential benefits or drop coverage due to serious illness.	All	2014	This provision is intended to ensure no individual is dropped from health coverage. To implement this provision, insurance pricing structure will likely change. **Contact your CPA** to assist with the cost/benefit analysis of your current provider. **Contact your benefits provider** for information on this provision so you can decide the best options for your business.
Medicare Taxes: Employers must withhold and report an additional 0.9% (from 1.45% to 2.35%) on employee wages or compensation that exceed $200,000. An additional Medicare tax of 3.8% will be assessed on investment income over certain thresholds for higher-income taxpayers.	All	2013	This change is to the employee portion of Medicare only; the employer portion of this tax has not changed. Employers must only match the first 1.45% of the Medicare tax. Wages that are subject to Medicare tax are also subject to the additional Medicare tax when they exceed the noted wage thresholds, including sick pay paid by a third-party, tips and non-cash fringe benefits.

Large Employer Provisions

PROVISION	EMPLOYER SIZE	EFFECTIVE DATE	WHAT THIS MEANS FOR YOUR BUSINESS
Employer Notice to Employees Requirement: By Oct. 1, 2013, employers had to provide written notices to employees about health coverage as well as federal and state health insurance marketplaces. After that date, employers must provide these notices within 14 days of a new hire's start date.	All employers subject to the Fair Labor Standards Act	2013	Employers must send or provide the notice to all employees, regardless of whether or not they are eligible for or are enrolled in coverage under an employer-sponsored health plan. The marketplace notice must inform employees of the following: • The existence of the marketplace, including a description of the services provided by the marketplace • That if the employee purchases a qualified health plan through the marketplace, the employee may be eligible for a premium tax credit • That the employee may lose the employer contribution (if any) to any health benefits plan offered by the employer if the employee purchases a qualified health plan through the marketplace
FSA Contribution Limit: Employee contributions to medical FSA are limited to $2,500 per year (to adjust annually for inflation) or the plan maximum.	All	2013	If your employees contribute funds from their paycheck to a medical flexible spending account, the maximum amount they will be allowed to contribute per year will be the lesser of the plan maximum or $2,500 (statutory maximum). This maximum will be adjusted annually for inflation beginning in 2014.
MLR Rebates: Insurance carriers must issue rebates to affected employers and employees for the previous plan year, as per the Medical Loss Ratio provision.	All	2012	Large group health plans must have at least 85 percent of premiums applied toward the payment of claims and quality improvement costs. If a carrier is found to have applied less than 85 percent in a market area, it must rebate the difference to the policyholder. Refer to IRS.gov for FAQs regarding the federal tax consequences to employees if a MLR rebate stems from a group health insurance policy.
Summary of Benefits and Coverage and Uniform Glossary: Consumers must have access to two key documents provided by health insurance carriers and self-funded group health plans — a Summary of Benefits and Coverage (SBC) and a Uniform Glossary of commonly used terms. The SBC is a summary of the plan or coverage, with a focus on key features, such as covered benefits, cost-sharing requirements, limits on coverage and excluded benefits. The rules state that consumers should receive the SBC when shopping for coverage, when renewing coverage, whenever material changes are made to the plan during the plan year and on demand.	All	2012	For fully insured plans, health insurance carriers are responsible for developing and issuing the SBC and Uniform Glossary. The group health plan and its administrator are responsible for ensuring delivery to its covered employees and members at the specified times and upon request to an insured person. For self-insured plans, the group health plan administrator is responsible for preparing and providing the SBC and Uniform Glossary. Work with your **benefits provider** to help make these documents available and help you collect acknowledgments of receipt.
W-2 Reporting Requirement: Employers filing 250 or more Form W-2s in the previous year must report the aggregate value of health coverage benefits on their employees' Form W-2s.	Mandatory for employers filing 250 or more Form W-2s in the previous tax year	2012	This reporting requirement is for informational purposes only and does not represent a new tax to be imposed on your business or employees. **Contact your CPA** to help you determine the additional documentation procedures that may be necessary to implement. **Contact your benefits provider** to assist you with the total value of premiums to be included on W-2s.

Large Employer Provisions

PROVISION	EMPLOYER SIZE	EFFECTIVE DATE	WHAT THIS MEANS FOR YOUR BUSINESS
Annual Dollar Limits: Annual dollar limits on essential benefits were restricted beginning in 2010 and will be eliminated in 2014.	All	2010-2014	This provision is intended to ensure no individual is dropped from health coverage. To implement this provision, insurance pricing structure will likely change. **Contact your CPA** to assist with the cost/benefit analysis of your current provider. **Contact your benefits provider** for information on this provision so you can decide the best options for your business.
Preventive Care Coverage: Employer-sponsored plans must offer first-dollar coverage for preventive care without requiring a deductible, co-pays or co-insurance. (This provision does not apply to fully insured grandfathered plans.)	All	2011	As areas of the law become effective, the insurance pricing structure will likely change. **Contact your CPA** to assist with the cost/benefit analysis of your current provider. **Contact your benefits provider** for information on this provision so you can decide the best options for your business.
Grandfathered: Current Health Coverage: Employers can maintain current health coverage for individuals already enrolled in plans and for subsequently enrolled family members and new hires, as long as the plan allowed for dependent family coverage on March 23, 2010.	All	2010	Some areas of the coverage you already provide to your employees may remain unchanged, while other areas may need to be reevaluated to meet the requirements of the law. **Contact your CPA** to determine how your health care offerings may need to be revised. **Contact your benefits provider** for information on this provision so you can decide the best options for your business.
Grandfathered: Collective Bargaining: Collectively bargained agreements are grandfathered until the date on which the last of the agreements relating to the grandfathered coverage terminates.	All	2010	**Contact your CPA** to help determine if you have collectively bargained health care agreements and when their coverage terminates. **Contact your benefits provider** for information on this provision so you can decide the best options for your business.
Grandfathered: Plan Requirements: Even grandfathered plans are subject to the following provisions: pre-existing conditions, dependent coverage, elimination of coverage rescissions, coverage limits and excessive waiting periods.	All	2010	Even grandfathered plans will need to include certain new aspects of the law. **Contact your CPA** for help understanding and implementing the required provisions, as discussed throughout this table. **Contact your benefits provider** for information on this provision so you can decide the best options for your business.
Children With Pre-existing Conditions: Employer-sponsored plans cannot exclude coverage for children under age 19 due to pre-existing conditions.	All	2010	As areas of the law become effective, insurance pricing structure will likely change. **Contact your CPA** to assist with the cost/benefit analysis of your current provider. **Contact your benefits provider** to receive accurate eligibility reporting to meet this requirement.
Dependent Coverage: Employer-sponsored plans providing dependent coverage must continue to provide dependent coverage up to age 26. (Grandfathered plans are not required to provide coverage to a dependent if they have access to employer-sponsored coverage until 2014.)	All	2010	As areas of the law become effective, insurance pricing structure will likely change. **Contact your CPA** to assist with the cost/benefit analysis of your current provider. **Contact your benefits provider** to help verify if current dependents can remain on your policy until renewal or to help enroll new dependents.

Small Employer Health Care Provisions

A small employer generally is defined as one with **fewer than 50 full-time employees or equivalents**. Review these highlighted provisions to better understand the new benefits, credits and responsibilities for employers.

Small Employer Provisions

PROVISION	EMPLOYER SIZE	EFFECTIVE DATE	WHAT THIS MEANS FOR YOUR BUSINESS
Small Business Health Care Tax Credit: An enhanced version of the Small Business Health Care Tax Credit (35% for small employers and 25% for small tax-exempt employers) will increase to 50% and 35%, respectively, to qualified small employers that participate in the Small Business Health Options Program (SHOP). The credit can be claimed for any two consecutive taxable years through the SHOP beginning in 2014. *Note: This is a federal credit and some states may also have additional tax credits available*	Fewer than 25 FTE employees	2014	Contributing toward your employees' health insurance costs can help you attract and retain top talent and this tax credit can help you afford that benefit. **Contact your CPA** to help weigh the costs and benefits of providing the insurance premium coverage. **Contact your benefits provider** to help you obtain information (reporting hours, wages, premiums paid and contributions made) needed to apply for the tax credit.
Health Insurance Marketplace: Beginning Oct. 1, 2013, you could purchase affordable insurance through the Small Business Health Options Program (SHOP).	Fewer than 50 employees	2014	**Contact your benefits provider** to help you compare the plans offered through the SHOP, as well as educate you on available options so you can make the best decision for your business. Please note: To qualify for a Small Business Health Care Tax Credit (see above), you must offer coverage through the SHOP marketplace.
Waiting Period Limits: Businesses cannot have a waiting period longer than 90 calendar days for providing coverage to eligible employees.	All	2014	**Contact your benefits provider** to assist you with accurate eligibility reporting necessary to meet this requirement.
Lifetime Limits: Employer-sponsored plans cannot have lifetime dollar limits on essential benefits.	All	2014	This provision is intended to ensure no individual is dropped from health coverage. To implement this provision, insurance pricing structure will likely change. **Contact your CPA** to assist with the cost/benefit analysis of your current provider. **Contact your benefits provider** for information on this provision so you can decide the best options for your business.
FSA Contribution Limit: Employee contributions to medical FSA are limited to $2,500 per year (to adjust annually for inflation) or the plan maximum.	All	2013	If your employees contribute funds from their paycheck to a medical flexible spending account, the maximum amount they will be allowed to contribute per year will be the lesser of the plan maximum or $2,500 (statutory maximum). This maximum will be adjusted annually for inflation beginning in 2014.
Employer Notice to Employees Requirement: By Oct. 1, 2013, employers had to provide written notices to employees about health coverage as well as federal and state health insurance marketplaces. After that date, employers must provide these notices within 14 days of a new hire's start date.	All employers subject to the Fair Labor Standards Act	2013	Employers must send or provide the notice to *all* employees, regardless of whether or not they are eligible for or are enrolled in coverage under an employer-sponsored health plan. The marketplace notice must inform employees of the following: • The existence of the marketplace, including a description of the services provided by the marketplace • That if the employee purchases a qualified health plan through the marketplace, the employee may be eligible for a premium tax credit • That the employee may lose the employer contribution (if any) to any health benefits plan offered by the employer if the employee purchases a qualified health plan through the marketplace

Small Employer Provisions

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Medicare Taxes: Employers must withhold and report an additional 0.9% (from 1.45% to 2.35%) on employee wages or compensation that exceed $200,000. An additional Medicare tax of 3.8% will be assessed on investment income over certain thresholds for higher-income taxpayers.	All	2013	This change is to the employee portion of Medicare only; the employer portion of this tax has not changed. Employers must only match the first 1.45% of the Medicare tax. Wages that are subject to Medicare tax are also subject to the additional Medicare tax when they exceed the noted wage thresholds, including sick pay paid by a third-party, tips and non-cash fringe benefits.
MLR Rebates: Insurance carriers must issue rebates to affected employers and employees for the previous plan year, as per the Medical Loss Ratio provision.	All	2012	Small group health plans must have at least 80 percent of premiums applied toward the payment of claims and quality improvement costs. If a carrier is found to have applied less than 80 percent in a market area, it must rebate the difference to the policyholder. Refer to IRS.gov for FAQs regarding the federal tax consequences to employees if a MLR rebate stems from a group health insurance policy.
Summary of Benefits and Coverage and Uniform Glossary: Consumers must have access to two key documents provided by health insurance carriers and self-funded group health plans — a Summary of Benefits and Coverage (SBC) and a Uniform Glossary of commonly used terms. The SBC is a summary of the plan or coverage, with a focus on key features, such as covered benefits, cost-sharing requirements, limits on coverage and excluded benefits. The rules state that consumers should receive the SBC when shopping for coverage, when renewing coverage, whenever material changes are made to the plan during the plan year and on demand.	All	2012	For fully insured plans, health insurance carriers are responsible for developing and issuing the SBC and Uniform Glossary. The group health plan and its administrator are responsible for ensuring delivery to its covered employees and members at the specified times and upon request to an insured person. For self-insured plans, the group health plan administrator is responsible for preparing and providing the SBC and Uniform Glossary. Work with your **benefits provider** to help make these documents available and help you collect acknowledgments of receipt.
Annual Dollar Limits: Annual dollar limits on essential benefits were restricted beginning in 2010 and will be eliminated in 2014.	All	2010-2014	This provision is intended to ensure no individual is dropped from health coverage. To implement this provision, insurance pricing structure will likely change. **Contact your CPA** to assist with the cost/benefit analysis of your current provider. **Contact your benefits provider** for information on this provision so you can decide the best options for your business.
Small Business Health Care Tax Credit: Small employers with 10 or fewer FTE employees AND average annual wages of less than or equal to $25,000 AND that contribute 50% or more toward single (not family) health insurance coverage for each employee may qualify for the maximum credit. *Note: This is a federal credit and some states may also have additional tax credits available.*	10 or fewer FTE employees	2010-2013	Contributing toward your employees' health insurance costs can help you attract and retain top talent and this tax credit can help you afford that benefit. **Contact your CPA** to help weigh the costs and benefits of providing the insurance premium coverage. **Contact your benefits provider and payroll provider** to help you obtain information (reporting hours, wages, premiums paid and contributions made) needed to apply for the tax credit.
Small Business Health Care Tax Credit: Small employers with fewer than 25 FTE employees AND average annual wages less than $50,000, AND that contribute 50% or more toward single (not family) health insurance coverage for each employee may qualify for the credit (maximum credit is 35% for small employers and 25% for small tax-exempt employers). Note: *This is a federal credit and some states may also have additional tax credits available.*	Fewer than 25 FTE employees	2010-2013	Contributing toward your employees' health insurance costs can help you attract and retain top talent and this tax credit can help you afford that benefit. **Contact your CPA** to help weigh the costs and benefits of providing the insurance premium coverage. **Contact your benefits provider and payroll provider** to help you obtain information (reporting hours, wages, premiums paid and contributions made) needed to apply for the tax credit.
Preventive Care Coverage: Employer-sponsored plans must offer first-dollar coverage for preventive care without requiring a deductible, co-pays or co-insurance. (This provision does not apply to fully insured grandfathered plans.)	All	2011	As areas of the law become effective, the insurance pricing structure will likely change. **Contact your CPA** to assist with the cost/benefit analysis of your current provider. **Contact your benefits provider** for information on this provision so you can decide the best options for your business.

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