

# Health Care Reform **Key Points**



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# Individual Implications

- Individual mandate to have health insurance
- Penalties applies if NO health insurance
  - 2014 - \$95 per person or 1% of income;
  - 2015 - \$325 per person or 2% of income;
  - 2016 - \$695 per person or 2.5% of income
- High wage earners (MFJ > \$250,000, Single > \$200,000)
  - Medicare payroll tax (.9%)
  - Net investment income tax (3.8%)



# 2013 Provisions

- Medicare tax for high wage earners (.9%)
- Net investment income tax for high wage earners (3.8%)
- Medical device excise tax
- Improving preventive health coverage
- Medical itemized deductions increases from 7.5% to 10%
- Limitation on health flexible savings accounts

# Health Care Reform Impact on Business



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# Employer's Key Number Is

50

Full-time Equivalent Employees

$\geq 50$

= Applicable Large Employer and subject to penalties

$\leq 50$

= Small Employer and **NOT** subject to penalties

# Full-time Equivalent Employees

- Employed an average of 50 full-time equivalent employees in the previous calendar year
  - 1) Full-time employees include all employees who work on average at least 30 hours per week (monthly test is if they work 130 hours or more hours per month).
  - 2) Full-time equivalents include adding your part-time employees (those who work less than 30 hours per week) and your seasonal employees.
- Analysis is done on a monthly basis



# Large Employer ( $\geq 50$ ) **NOT** Offering Insurance

- Employers **NOT** offering health insurance:
  - A penalty of \$2,000 per year/per FT employee (and seasonal employees the month they work full-time)
  - Exempts the first 30 employees from computation
    - Example: 100 employees and one goes to an Exchange and receives a subsidy
    - Penalty =  $(100-30) \times \$166.67 = \$11,667/\text{month}$ 
      - \$140,000 annually
    - Triggered on all full-time employees if one full-time employee goes to the exchange and receives a subsidy
  - Penalty is **NOT** tax deductible



# Large Employer ( $\geq 50$ ) Offering Insurance

- Potential \$3,000 penalty if employer OFFERS health insurance – **must pass 2 tests!**
  - Subsidy eligibility based on unaffordable or inadequate insurance
    - **Unaffordable** = Employee insurance premiums exceeding 9.5% of HHI (**Safe Harbor created for employers** – single plan premiums paid by employee cannot exceed 9.5% of wages)
    - **Inadequate** = Insurance policy less than 60% of actuarial value
  - A penalty of \$3,000 per year/per FT employee who goes to the marketplace and receives an exchange subsidy
  - Capped by the amount of penalty for not offering insurance coverage



# Health Care Reform – Employers

## **50 Full-time Employees**

1. Calculate your full-time employees
2. Calculate your (part-time and seasonal) FTEs
3. Add the two numbers in steps 1 and 2
4. Add up the 12 monthly numbers in 3 and divide by 12
5. If less than 50, not applicable large employer
6. If more than or equal to 50, greater than 120 days?

# Health Care Reform – Employers

## Example 1

- XYZ Company had 40 full-time employees who worked 173 hours per month all year. XYZ also had 25 part-time employees who worked 87 hours per month all year. XYZ has 58 full-time equivalents calculated as follows:
  1. 40 full-time
  2.  $25 \text{ EEs} * 87/\text{month}/120 = 18.13$
  3.  $\text{total FTE} = 40 + 18.13 = 58 \text{ FTE}$

XYZ would be an applicable large employer

# Health Care Reform – Employers

## Example 2

- XYZ Company had 49 full-time employees who worked 173 hours per month all year. XYZ also had 25 seasonal employees who worked 173 hours per month for 2 months. XYZ has 49 full-time equivalents calculated as follows:
  1. Full-time employees is 49 for 10 months and 74 for 2 months. So for 12 months there was an average of 53 full-time employees for each month.
  2. The number is greater than 50, but the workforce for XYZ exceeded 50 full-time employees for less than 120 days (only 2 months) so not an applicable large employer.

# Health Care Reform – Employers

- 40% excise tax on “Cadillac” health plans (\$10,200 for individual, \$27,500 for family) – Starts 2018
- Expanded coverage for children under 27
  - Effective 2010
- Value of employee sponsored health plans on W-2’s – effective after December 31, 2012
  - Employers who issue more than 250 W-2’s

# Employer Penalties

EE Category	Included in FT equivalent calc?	Employer subject to Penalty for:	
		Not offering minimum essential coverage?	Offering minimum essential coverage but not affordable or adequate?
Full-time	Yes	Yes	Yes
Part-time	Yes	No	No
Seasonal, working full-time	Yes	Yes	Yes
Seasonal, working part-time	Yes	No	No

# Controlled Group Provisions

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- Internal Revenue Codes 1563 and 414;
- Parent – Subsidiary – 80% rule;
- Brother/Sister corporations – 50% stock;
- Combined Group
- Section 801 Certain Insurance Companies

# Subsidy Factors

- Current Employer coverage results in **NO** employees eligible for an exchange subsidy as coverage is deemed affordable:

**Affordability < 9.5%**

Safe harbor affordability is based on single-only coverage and the employee's W-2 pay.

**Qualified Health Plan  
(Actuarial Value) =**

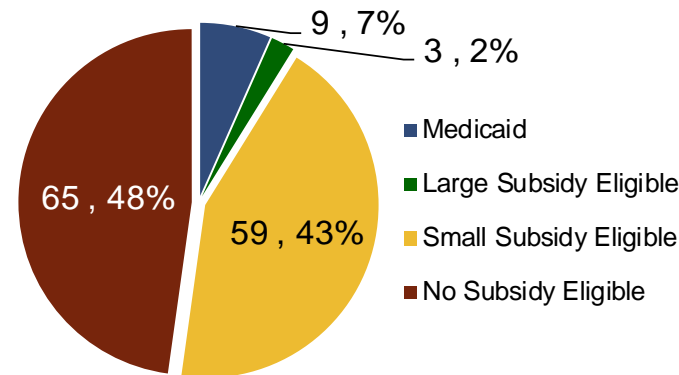


Test is plan actuarial value has to be greater than 60%.

# Subsidy Factors – with Spousal Income

- The following chart shows the breakdown of subsidy-eligible based on no employer sponsored insurance:

Household Income as a % of Federal Poverty Level



Income Level	Premium as a % of Income
Up to 133% FPL	2% of income
133 – 150% FPL	4% of income
150 – 200% FPL	6.3% of income
200 – 250% FPL	8.05% of income
250 – 300% FPL	9.5% of income
300 – 400% FPL	9.5% of income



# Employer Checklist for 2013-2015

## 2013

- FSA limit of \$2,500
- Medicare taxes for high-income
- Notification of state marketplaces to employees
- Women's health prevention coverage
- W-2 reporting of health insurance (greater than 250)

## 2014

- Individual mandate
- Automatic enrollment
- Minimum essential benefits
- Insurance reforms
- Marketplace education
- Increased wellness rewards cap

## 2015

- Employer shared responsibility
- 6055 & 6056 Tax Forms



# Non-discrimination in Insured Health Plans

- Non-grandfathered insured group health plans that impermissibly discriminate in favor of highly compensated employees face significant liability under new rules.
- Relates to the 1986 Tax Law – Internal Revenue Code (IRC) Section 105(h)(2).
- Prohibition on discrimination in favor of highly compensated individuals.
- Effective date for plan years beginning after \_\_\_\_\_?  
(waiting for final guidance).
- The penalty for plans will have an excise tax of **\$100 per day for the plan per person discriminated against, with a maximum penalty of \$500,000!**

# Health Insurance Exchanges

- **Public versus Private?**
- **What is an marketplace?**
  - Marketplace for individuals and small businesses to purchase insurance
    - Different health plans (Metallic levels), compare different plans
- **Participation?**
  - Small employers – 2014
  - Individuals – 2014

# Questions?



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# Thank You



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