TIKIA CONSULTING GROUP, INC.
EMPLOYEE BENEFITS

Issue: 2 Volume: 2 February 2013

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MINIMUM VALUE BENEFITS

Effective for 2014, under PPACA mandates, a large employer* may be liable for a penalty if any of its full-time employees receives a premium tax credit through a state-based health insurance exchange. An individual may receive a premium tax credit if his or her employer's group health coverage does not provide minimum value.

If the plan's share of total allowed costs of benefits provided under the plan is less than 60% of those costs, then the plan does not provide minimum value.

The Department of Health & Human Services (HHS) and IRS proposed the following approaches to determine whether an employer-sponsored plan provides minimum value.

1. ***Calculator*** – A minimum value (MV) calculator, in which the plan's benefits, coverage of services, and cost-sharing terms would be entered to determine whether the plan provides minimum value.

2. ***Checklists*** – An array of design-based safe harbors in the form of checklists that employers could use to compare to their plans' coverage.

3. ***Actuarial Certification*** – An actuarial certification approach would be established for plans with nonstandard features that preclude the use of the calculator or checklist methods.

**A "large employer" is an employer with at least 50 full-time equivalent employees during the preceding calendar year.*

EXCHANGES OVERVIEW

- The Patient Protection and Affordable Care Act (PPACA) includes provisions to help lower individual health insurance premiums for Americans with household incomes below 400% of the federal poverty line. This includes the majority of Americans.
- PPACA requires that an exchange be provided in each state for individuals and small groups to purchase health insurance, effective January 1, 2014.
- Qualified employees will have the opportunity to shop the individual health insurance exchange during Open Enrollment, between October 1, 2013 and March 31, 2014.

EXCHANGE NOTICE DEADLINE DELAYED

According to previous guidance on federal health reform law (PPACA), employers were obligated to notify all employees (in writing) by March 1, 2013, regarding the availability of health Exchanges that will commence on January 1, 2014. The notice is intended to advise employees that they may qualify for federal assistance if their household income is below a certain amount or if their employer's group plan isn't affordable. This would allow employees to make informed choices about whether to enroll in employment-based coverage or seek coverage through an exchange.

Due to many states lagging behind in the effort to establish an exchange and the lack of guidance regarding the model notice form, federal authorities have delayed the notice deadline. The Department of Labor expects that the timing for distribution of notices will be the late summer or fall of 2013, which will coordinate with the Open Enrollment period for Exchanges. Future guidance on complying with the notice requirement is expected to provide flexibility and adequate time to comply.

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Hearts: Not Just For Valentine's Day

Tikia Corner: Wellness

February is American Heart Month. Did you know that heart disease is the number one cause of death in the United States? In fact, it's the reason for one in every three deaths. That's about 2,200 deaths per day. Here are some healthy lifestyle facts that could not only save your life, but save you some money, as well.

- Those who are physically active regularly can save up to $500 a year in healthcare costs.
- Company health and wellness programs can save employers an estimated $16 for every $1 spent.
- These programs could decrease the employer's healthcare costs by 20 - 55% (depending on participation).
- By eliminating just one workplace health risk, employer's can increase productivity by almost 9% and decrease absenteeism by 2%.

If you start to think about how much you *don't* do during your 8+ hour workday, you should really start thinking about what you *can and should* do:

- Work and Walk: have walking meetings or walk to your coworker's office instead of calling.
- Get out of your chair and stand more during the day. Stand up on calls or consider a standing desk.
- Take the stairs instead of the elevator. Start off easy with just a few flights and build up gradually.
- While on trips, find hotels with fitness centers and pools that you can use.
- Bring a jump rope or resistance band when you travel and use them in your hotel room.
- Start or join an activity league with coworkers, like kickball or softball. Do it as a fundraiser for charity.
- Find a gym near your job and work out before work, after work, or even during your lunch hour.
- Add your exercise time to your business calendar and attend it just like your other meetings.
- Get off the bus a few blocks early or park farther away so you can walk a little bit extra.
- Instead of sitting in the break room, walk around the building during lunch or break time.

Plan Ahead For Medical Emergency Costs

Emergency Preparations

I know what you're thinking, why and how would I plan for a medical emergency? When an emergency occurs, you don't think about all the potential costs involved, thus, you should think about them ahead of time. Here are some tips on what to do before an emergency happens, so you can focus on what really matters…you and your family's health, safety, and well-being.

Hospital ERs can be costly - find some In-Network Urgent Care Facilities near your job and home. Check with your insurance company and the facility to make sure you will be charged appropriately. Keep the address, phone number, and hours handy. Post them with your other emergency contacts and enter them into your address books.

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Healthcare Reform

PPACA Mandates You Should Be Aware Of…

Waiting Period Limitation

A group health plan may not use a waiting period that exceeds 90 days.

Currently, there is little guidance on this waiting period limitation. The widely-accepted interpretation of this limitation is that a full-time employee must be eligible for coverage on (or before) the 91st day after the employee's date of hire and not on the first of the month after the 90-day waiting period.

Transitional Reinsurance Fee

Both fully-insured and self-funded group health plans must contribute to the proposed annual assessment of $63 per covered life in order to help stabilize premiums in the individual health insurance market for those with pre-existing conditions.

The fee will be assessed on all lives covered by the major medical plan.

Coverage for 95% of Eligible Employees

If an employer makes an offer of coverage to at least 95% of its eligible full-time employees, then the employer will NOT be subject to a penalty.

Non-compliance penalty: $2,000 per year multiplied by all employees (less the 30 employee statutory exemption) regardless of whether any of those employees are eligible for employer-provided coverage.

Dependent Coverage

Coverage must be offered only to an employee and to the employees' children up to 26 years of age. It is not mandatory to offer coverage to the employees' spouses or to other dependents.

The "affordability" test applies only to the employee's own individual coverage (but the dependent care coverage must still satisfy the "minimum value" rules).

FSA Contribution Limits

Remember that as of January 1, 2013, employees are limited to contribute no more than $2,500 per year into their flexible spending accounts.

Medicare Payroll Taxes Increase

Effective January 1, 2013, the Medicare payroll tax on wages and self-employment income that exceeds $200,000 increased by an additional 0.9% and is not indexed to inflation.

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Healthcare Reform

2013 Non-Calendar Year Plans

Not Subject To Mandates Until 2014 Renewal

The IRS and HHS have managed to keep everyone in a state of confusion with an endless array of regulations, guidance, and clarifications over the past months. This, in turn, caused an impact on strategic planning.

One immediate concern was if clients with non-calendar year renewals would be affected by the 2014 employer shared responsibility mandate for their plans which began in 2013. Although the renewals issued in 2013 for fully insured, non-calendar year clients already reflected the 2014 impact of insurer fees and exchange-related risk charges, there was trepidation that these employers could possibly face fees and fines for not offering minimum affordable and essential coverage to all full-time employees (FTEs) for the last few months of their plan year which fell into 2014, even if only for a few months.

This issue was addressed just prior to the end of 2012, when the IRS released a new guidance regarding non-calendar year plans.

- This guidance indicates that non-calendar year plans which begin in 2013 will not need to be concerned about the 2014 employer mandates until their first renewal date that occurs after January 1, 2014. For example, if a plan renews October 1, 2013 and does not offer the mandated coverage to FTEs, that employer will not have any fees or fines levied for the portion of their plan year that falls into 2014.
- This only applies to non-calendar year plans which were already in effect as of December 27, 2012. It does not apply to any plans which were converted to non-calendar year plans after December 27, 2012.

Premium Credit Penalty

If an employer offers coverage to at least 95% of its eligible full-time employees, the employer will be subject to the $3,000 per year mandate penalty for each employee that does not receive an “affordable” offer of coverage and receives a premium credit when enrolling in an exchange provided plan.

What Is Affordable Coverage?

An employer only needs to make an “affordable” offer of coverage to an individual employee for that individual’s own coverage. Coverage is considered “affordable” if the employee contributions for single coverage do not exceed 9.5% of the employee’s wages. The regulations provide three safe harbors that employers can use to determine if employee coverage is affordable:

- 9.5% of an employee’s W-2 wages for the year
- 9.5% of an employee’s monthly wages determined by multiplying their hourly rate by 130 hours per month
- 9.5% of the Federal Poverty Level for a single individual

Note: An employer may use more than one safe harbor provided that each category of employees is evaluated under the same safe harbor test.

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