FIRM MANAGEMENT

The Key Healthcare Reform Provisions Employers Should Know

To help business owners stay on top of health care reform, Paychex, Inc., a leading provider of payroll, human resource, insurance, and benefits outsourcing solutions for small- to medium-sized businesses, has outlined below, provisions of interest to business owners and their employees that are expected to take effect in 2014 or sooner, and those delayed until 2015.

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"When the delay in employer shared responsibility was announced, there seemed to be a collective sigh of relief from many employers," said Paychex president and CEO Martin Mucci. "Though there is some extra breathing room, employers can't afford to put health care reform, even the employer mandate, on the back burner for the next year. Employers need to take action now in order to comply with health care reform requirements."

Provisions Expected to Take Effect in 2014 or Sooner

At the time of this release, the following provisions are expected to take effect as planned in 2014 or sooner:

- The Individual Mandate: The Affordable Care Act requires that individuals have health insurance or they may face a financial penalty. There are exemptions from this requirement including one for individuals who do not have access to affordable insurance. Without knowing what insurance an employer may have offered the employee, there is not yet a way to determine, aside from self-declaration, if the individual had access to affordable insurance from their employer. (Read: "Helping Employees Shoulder the Individual Mandate")

- Health Insurance Marketplaces: The marketplaces (formerly known as exchanges) are scheduled to begin open enrollment by October 1, with coverage from the marketplaces starting on January 1, 2014.

- Employer Notice to Employees: By October 1, 2013, employers are required to provide written notices to all existing employees — regardless of benefit enrollment status or full- or part-time status — about health coverage options, including notification about federal and state health insurance marketplaces. Employers can send the notices by mail or electronically. Thereafter, an employer will have 14 days from the employee's start date to provide a notice to each newly hired employee. The Department of Labor has provided model notices for employers who do not offer insurance, as well as for employers who offer coverage to some or all employees.
- Premium Tax Credits: These are refundable and advanceable tax credits that will be provided to qualified individuals whose income is between 100 and 400 percent of the federal poverty level (some exceptions apply), and who purchase health insurance coverage through the marketplace. One of the qualifications that must be met in order to obtain the credit is that the individual or family **cannot** be eligible for affordable group insurance from their employer, or a government-sponsored insurance program, such as Medicaid and Medicare. Because of the

delay in the reporting requirements for employers, the taxpayer will have to self-report to the IRS their access to employer-provided insurance in order to receive the credits.

- Limits on Waiting Periods for Coverage: The Affordable Care Act prohibits businesses from implementing health insurance waiting periods of longer than 90 days for newly eligible employees.

- Small Business Health Care Tax Credit: Small businesses that have fewer than 25 full-time equivalent employees (FTEs), average annual wages of less than $50,000 per FTE, contribute 50 percent to the total health care insurance premium for each enrolled employee, and purchase health insurance through the Small Business Health Options Program, or SHOP, may qualify for a tax credit for providing health coverage for their employees. Since the provision's implementation in 2010, the maximum credit possible for a small business owner has been 35 percent of the employer contribution to qualified health coverage premiums, and the maximum credit possible for a small tax-exempt employer has been 25 percent. On January 1, 2014, the maximum tax credits available will increase to 50 percent and 35 percent, respectively, and will be limited to two consecutive years. Additionally, the average annual wages used to determine eligibility will be adjusted for inflation beginning in 2014.

- Health Insurance Protections: The Affordable Care Act institutes a number of rights and protections that take effect on January 1, 2014. These include the following:
  - Insurance companies will be required to cover people with pre-existing health conditions.
  - There will be no lifetime or annual dollar limits on the coverage of essential health benefits.
  - Insurance companies will be required to publicly justify a rate increase of 10 percent or more before raising premiums and will be subject to new rules that limit the extent to which they can raise premiums on individuals and small businesses.

- Deductibles: Health insurance deductibles are limited to $2,000 for individual and $4,000 for family small-group coverage. In limited circumstances, the amounts can be increased. For example, if employer contributions to reimbursement accounts are offered that offset the deductible amounts above these limits, or if an increase in the deductible limit is needed to maintain the actuarial value of the applicable plan, the deductible amounts may be increased.

- Wellness Program Incentives and Penalties: Starting January 1, 2014, employers may offer to employees wellness program incentives, or penalties where warranted, of up to 30 percent of the premium cost.

Provisions Delayed Until 2015

- Employer Shared Responsibility (ESR): The Affordable Care Act requires employers with 50 or more full-time employees (taking into account full-time equivalent (FTE) employees) to provide health insurance to their employees or potentially face a penalty if one or more full-time employees receives a premium subsidy for coverage obtained through a government marketplace. Businesses that are subject to ESR are required to report to the IRS information about the health insurance coverage they provide to their full-time employees. This information is used to determine the penalties (ESR excise tax) on business owners who don't provide adequate coverage to eligible employees under the employer shared responsibility provision. Since assessment of the ESR penalties relies heavily on the information reported and final guidance on the reporting requirements has not been issued, enforcement of the penalties has been delayed until 2015. (Read: "Preparing Your Business for the Imminent ESR Provision")

- SHOP Exchanges: The Affordable Care Act created the Small Business Health Options Program (SHOP) as the health insurance marketplace for small businesses. The SHOP exchanges are designed to offer small businesses multiple plan options – platinum, gold, silver or bronze – beginning on January 1, 2014. It was announced in June that the federally run SHOP exchanges will offer employers only one plan option in 2014, with the full range of options being delayed until January 1, 2015. States running their own exchanges have the option of allowing employers to offer their employees a choice of multiple plans.

- Limit on Out-of-Pocket Payments: Originally scheduled to take effect on January 1, 2014, the limit on out-of-pocket payments toward co-pays and deductibles has been postponed until January 1, 2015. With the delay, the out-of-pocket limits will remain at $6,250 for individuals, and $12,500 for families. If an employer uses different providers for health insurance and prescription drug coverage, each provider may impose the above limits. Starting in 2015, regardless of the number of providers, individual and family out-of-pocket charges can be no more than $6,350 and $12,700, respectively.

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