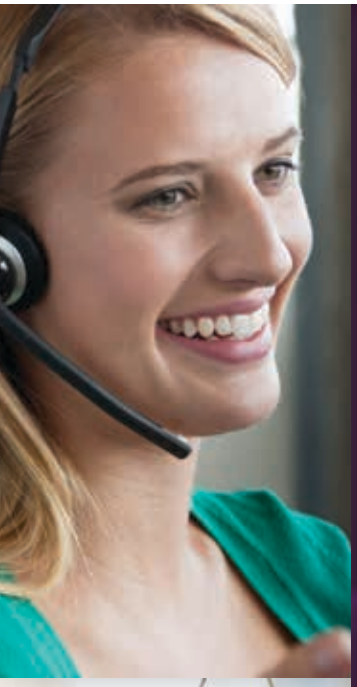


REQUIREMENTS TO KNOW FOR **2016**

An Employer's Guide to the

Affordable Care Act

CDPHP®

A plan for life.

The Affordable Care Act – What Employers Need to Know for 2016

When it comes to the Affordable Care Act (ACA), CDPHP® is committed to providing you with the information that matters most to your company. That's why we've put together this overview of the legislation, how it works, and how it will impact your business. For additional details and the latest in health care reform, visit our health care reform website at **www.cdphp.com/health-care-reform**.

Important Dates

November 1, 2015 - January 31, 2016	Open enrollment period for 2016 Plan year
January 2016	Employer reporting for 2015 plan year is due
January 1, 2016	NYSOH Small Business Marketplace expands availability to employers of 100 or fewer
2017	States may expand exchanges to include large group employers with more than 100 employees
2018	"Cadillac tax" will be implemented for employer-sponsored health plans that offer policies with generous coverage levels

2015 Out-of-Pocket Maximum Limits

Out-of-pocket (OOP) maximum refers to the greatest amount a member will have to pay for covered services in a year. Generally, this includes deductible, coinsurance and copayments. All benefits contribute to the OOP maximum, including prescription benefits.

An ACA provision creates a limit on the OOP maximum for all qualified health plans. These amounts are subject to change every year as determined by the IRS.

Year	OOP Maximum Limit (Self Only)	OOP Maximum Limit (Family)
2015*	$6,600	$13,200
2016	$6,850	$13,700

** High deductible health plan out-of-pocket maximum limits for 2015 are $6,450 and $12,900 for self-coverage and family coverage, respectively.*

Important note for large businesses: If a group health plan or group health insurer has more than one service provider to administer benefits, such as carved-out pharmacy benefits, ACA requirements will be complied with if:

- *Major medical coverage complies with the OOP limits*
- *Cost-sharing for any separate coverage, such as pharmacy, does not exceed the OOP limits*

Under a special transition rule, plans using multiple claim payers, such as medical third-party administrators and separate pharmacy benefit management, have until the 2015 plan year to design a single OOP maximum and coordinate vendor arrangements.

No "Dumping" Allowed

Under IRC Section 4980, plans which fail to meet group health plan requirements become subject to an excise tax. This includes:

- Contributing a defined amount toward reimbursing premiums for plans purchased on the individual marketplace by employees (known as pre-tax employer patient plans), **OR**
- Using standalone health reimbursement arrangements (HRAs).

All plans are expected to meet market reform requirements, such as providing all essential benefits (such as first dollar coverage of preventative services).

Understanding the Employer Mandate

The employer mandate requires that eligible employers offer health insurance that is affordable and provides minimum value to full-time employees and their dependents[1]. The mandate applies to employers with 50 or more full-time employees or full-time equivalents.[2]

Employer Size	2016 Plan Year
1-49 Full-time employees/equivalents	Does not apply
50 or more full-time employees/equivalents	Must offer coverage to 95% of full-time employees and dependents

Know how to count employees

For the employer mandate, you need to determine the number of full-time employees and equivalents in each month during the given year. **The provision allows for a variety of methods for making the calculation. Therefore, you should work with a tax or legal advisor for guidance.**

- Full-time employees work an average of at least 30 hours per week (130 hours) in a calendar month.
- Part-time employees are used to determine the number of full-time equivalent employees. Part-time employees are counted by adding their hours together for a particular month and dividing by 120 (rounding to the next lowest whole number)
- Seasonal employees who work 120 days or less are generally excluded[3]

Employers who do not know in advance how many hours an employee will work in a given time period have the ability to use the look-back period, called a standard measurement period, to measure ongoing, full-time employees. The period cannot be less than three months nor exceed 12 months.

For example:

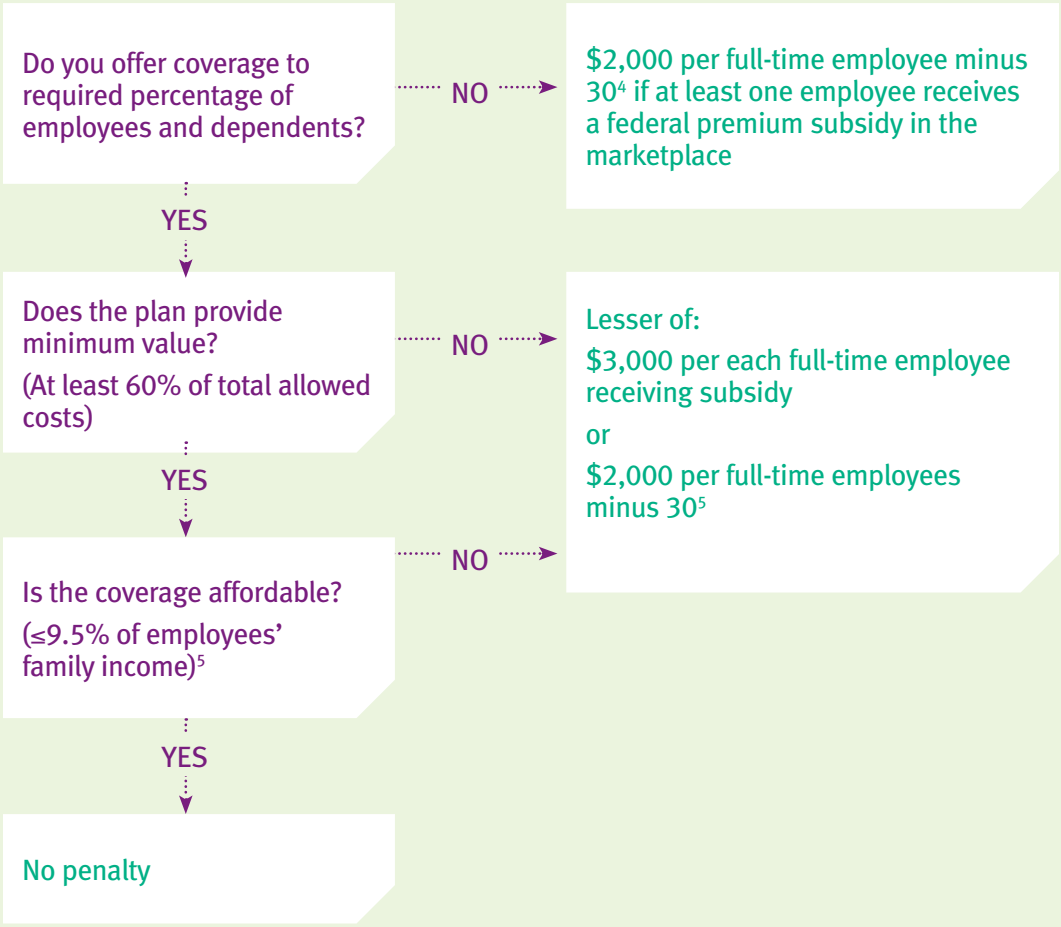
For January, Company A has 40 full-time employees and 15 part-time employees who each worked 24 hours a week (96 hours a month each)

1. Determine total part-time employees hours per month: 15 X 96 = 1,440 hours
2. Determine number of full-time equivalents: 1,440/120 = 12 full-time equivalents
3. Add together full-time employees and equivalents: 40 + 12 = 52 total full-time employees/equivalents

This employer is considered an applicable small employer for the employer mandate.

Know the Potential Penalties

Applicable employers that do not meet these coverage requirements may be subject to penalties. Note: Only full-time employees are counted toward these penalties (full-time equivalents are excluded).



1 *Note: Dependents include children up to age 26, excluding stepchildren and foster children. Coverage for children must be available through the end of the month in which they reach age 26. Spouses are not considered dependents in the legislation, so employers are not required to offer coverage to spouses.*

2 *Determining eligibility for the employer mandate is based on the number of full-time equivalent employees, which includes part-time employees. This means that an employer that is considered a small group for purposes of participation in the Small Business Marketplace (based on number of full-time employees working 30+ hours/week), may also be subject to the employer mandate when taking into account full-time equivalents. Consult with your tax or legal advisor for more guidance.*

3 *Seasonal Employees: The ACA includes a special rule under which, if an employer's workforce exceeds 50 full-time employees for 120 days or fewer during a calendar year, and the employees in excess of 50 who were employed during that period of no more than 120 days were "seasonal workers," the employer is not an applicable large employer. Four calendar months will be treated as equal to 120 days.*

4 *As part of the transition relief, for the 2015 plan year the penalty can be calculated using minus 80.*

5 *May be adjusted for inflation beginning January 1, 2016.*

Minimum Value

A plan provides minimum value (MV) if it pays at least 60 percent of the total allowed costs for covered services. Your health insurance carrier should be able to help you determine if your plan meets minimum value. The Department of Health and Human Services provides the regulation and additional guidance regarding minimum value, as well as the MV calculator on the CMS website at **www.cms.gov**.

Affordable

Coverage is considered affordable if employee contributions for self-only coverage do not exceed 9.5 percent* of an employee's household income. There are three safe harbors to make this determination:

- **W-2:** Employee contributions are less than 9.5% of wages reported in Box 1 of employee's W-2 (reduced by 401k and cafeteria plan contributions)
- **Rate of Pay:** Employee monthly contribution must be less than 9.5% of employee's monthly wages (hourly rate x 130 hours for hourly employees; monthly salary for salaried employees)
- **Federal Poverty Level (FPL):** Employee's contribution does not exceed 9.5% of the FPL for a single individual

* *May be adjusted for inflation beginning January 1, 2016.*

Employer Reporting

Beginning in January 2016 (for 2015 coverage regardless of plan year), the federal government will require applicable large employers and insurers to report annually to employees and the IRS on the health care coverage they provide. The reporting will be used to enforce the following provisions of the ACA:

- Employer Mandate: Large employers offer full-time employees coverage or pay a tax penalty
- Individual Mandate: Individuals must have health insurance or pay a tax penalty

Here is an overview of the reporting requirements. Consult your tax or legal advisor for further guidance.

Simplified Reporting Options

The IRS offers simplified 6056 reporting options for employers who offer affordable coverage to their full-time employees.

- **Reporting Based on Certification of Qualifying Offers:** If an applicable large employer (ALE) certifies that it offers certain coverage, called a "qualifying offer," then it is allowed to provide simplified reporting. A "qualifying offer" is minimum value coverage that costs the employee no more than 9.5 percent of the mainland single federal poverty line. The employer must report that they made a qualifying offer and provide the names, addresses, and Social Security numbers for those employees.
- **Option to Report Without Separate Identification of Full-Time Employees (98% Offer Rule):** An ALE that certifies it offered minimum essential coverage providing minimum value that was affordable to at least 98 percent of full-time employees is not required to report further details to the IRS. However, the employer must still provide statements to full-time employees.

	Employer Mandate (Section 6056)	Minimum Essential Coverage (Section 6055)
Who?	Applicable large employers (ALEs): Employers with 50 or more full-time equivalent employees	» Employers for self-insured plans » Insurers for fully insured plans
Why?	» IRS: Pay or play penalty determination » Employees: Assist with determination of eligibility for a premium tax credit in the Individual Marketplace.	Allow individuals to show, and IRS to verify, coverage and months of enrollment.
When is it due?	» Statements to employees by January 31 can accompany W-2s (For 2015, that will be February 1, 2016) » IRS filing by February 28 of the following year (For 2015, that will be March 1, 2016); or March 31 if filing electronically (Entities filing 250 or more returns per year must file electronically)	
How is it reported?	» Form 1095-C to IRS and employees (reporting data on each full-time employee) » Form 1094-C to IRS (reporting aggregate employer data)	» ALEs (fully or self-insured): Forms 1095-C and 1094-C » Non-ALEs (insurer or self-insured employer): Forms 1095-B (individual data) and 1094-B (aggregate data)
What information is reported?	» Name, address and EIN of ALE » ALE contact name and phone number » Certification as to whether the ALE offered coverage to full-time employees and dependents » Number of full-time employees for each month during the calendar year » Name, address, SSN for each of each covered individual » For each full-time employee, months during which MEC was available » Employee's share of the lowest cost monthly premium for self-only MEC » Additional information through the use of indicator codes	» Name, address, SSN for each covered individual » Company name, address and employer identification number » Months coverage provided » Small Business Health Options (SHOP) identification number, if applicable
Penalties for not filing	IRS Code Section 6721 and 6722 penalties: » Failure to file and issue correct employee statements: $100 per return or statement » Failure to file correct Transmittal Return: $100 per return	

Other ACA Taxes and Fees

The ACA also calls for the additional taxes and fees on employers and/or insurers that impact the cost of coverage.

	Comparative Effectiveness Research Fee	Health Insurance Industry Fee	Reinsurance Assessment
Purpose	Fund the Patient Center Outcomes Research Institute (PCORI)	Help fund federal and state marketplaces	Fund reinsurance program to help lessen impact of adverse selection in the individual market
Who pays	» Insurer for fully insured plans* » Employer for self-funded plans*	Insurer	» Insurer for fully insured plans » Employer for self-funded plans
When is it due	No later than July 31 of the calendar year that follows the plan year end date. *E.g., For plans ending between January 1, 2015 and December 31 2015, the fee is due on July 31, 2016*	In premium	In premium
Amount	» For plans ending October 1, 2014 through September 30, 2015: $2.08 per covered life. » For plans ending October 1, 2015 through September 30, 2019: The applicable dollar amount will be further adjusted to reflect inflation in National Health Expenditures, as determined by the Secretary of Health and Human Services.	» $14.3 billion in 2018 » Increases with premium growth after 2018 » Allocated to insurers based on prior year's premium revenue	» $8 billion in 2015 » $5 billion in 2016
Tax implications	Tax deductible	Non-tax deductible	Tax deductible
How	Insurers and self-funded plan sponsors (employers) must file Form 720, the Quarterly Federal Excise Tax Return to report and pay the annual fees.	In premium	The fee is determined by multiplying a plan's average number of covered lives by a fixed dollar amount.
Cost implications	$2 PMPY, increasing annually	Estimated to be 3%-4% of premium costs.	$44 PMPY for 2015 Estimated $25-30 PMPY for 2016

** Note about HRAs: The employer (plan sponsor) is responsible for paying the fee. If the HRA is offered with a fully insured health plan, the employer must pay the additional PCORI fee for the HRA (in addition to the insurer's fee).*

NY State of Health™ Marketplace

A health insurance exchange, also known as a marketplace, is an organized way for people to purchase and enroll in health insurance coverage. In New York, there are two separate marketplaces: the Individual Marketplace, which is open to individuals and their families, and the Small Business Marketplace, open to small employers with two to 50 members. Both marketplaces help consumers compare health insurance options, calculate costs, and select coverage online, in person, over the phone, or by mail.

Small businesses have the option of selecting a single health plan for all employees, selecting a few plans for employees to choose from, or providing employees with a set amount of money to let them select their own plan from the entire marketplace.

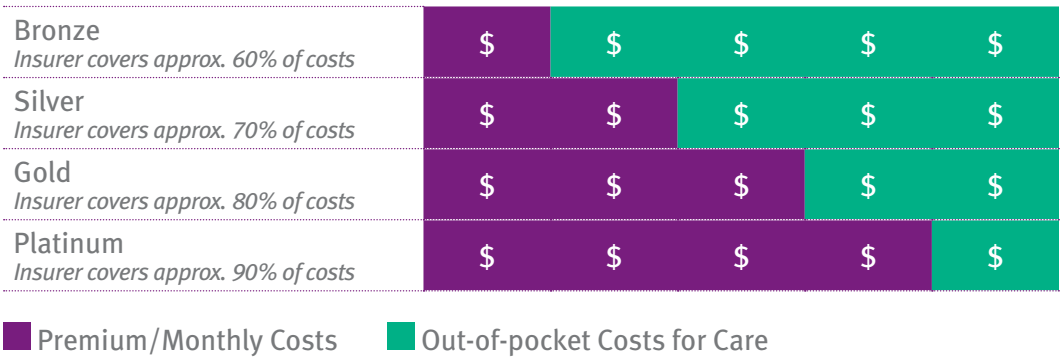
Small Business Tax Credit

A tax credit may be available for employers who participate in the NYSOH Small Business Marketplace that have fewer than 25 full-time equivalent employees making annual wages of less than $50,000. Here are some basic guidelines. Visit the NYSOH website for more information, at **www.nystateofhealth.ny.gov**.

- The credit is calculated on a sliding scale for up to 50 percent (35 percent for non-profits) of the average cost of employer-sponsored coverage.
- Certain religious organizations receiving coverage through a church plan are eligible for the credit.
- Small employers that cover employees through a multi-employer health and welfare plan qualify for the tax credit.
- Leased employees are counted when determining eligibility for the credit if the employer, not the leasing organization, pays for health insurance.
- Employer contributions to health savings accounts, health reimbursement arrangements, and flexible spending accounts are not counted as insurance premium payments when determining the credit amount.

Metal Levels

All small business and individual health plans are assigned to metal levels based on how much of the cost for health care services is covered by the health insurance company (also known as the actuarial value, or AV).



All health insurers that participate in the Individual and Small Business Marketplace must offer one "standard" plan at each metal level. Standard plan benefits and cost-shares are uniform among all participating carriers, although premiums and network arrangements may vary by carrier. In addition, each carrier can offer up to three non-standard plans in the marketplace.

The Individual Mandate

The ACA requires many of your employees to be insured or pay a penalty, a provision known as the "individual mandate." These individuals will be required to maintain minimum essential coverage for themselves and their dependents. For more details on who this requirement applies to, and how penalties are assessed, your employees can visit **www.healthcare.gov**.

The CDPHP Difference
All plans, both on the NYSOH Marketplace and off, deliver valuable features and the above-and-beyond service you expect from CDPHP.

Get fitness tips, wellness ideas, and more! Connect with us:

A plan for life.

For more information, visit **www.cdphp.com/health-care-reform**.

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