Health Care Act's Employer Mandate

CRI CARR RIGGS & INGRAM

CPAs and Advisors

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Contact Information

Philip W. Rebowe, CPA, CFE, CFSA, CCA

Partner

prebowe@cricpa.com

3501 N. Causeway Blvd., Suite 810

Metairie, LA 70002

(504)837-9116

CRI: LOCATIONS

- 28th largest accounting firm nationally
- 3rd largest accounting firm in South

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45,000

Clients in all 50 states

plus Canada, Puerto Rico, and overseas military installations

800+

Professionals

133

Partners

3,594

Partner Years of Experience

8

States

4

PhDs: Scholars-In-Residence

52

Partner Schools Attended

40% Alumni of Nationally-Recognized Southern Schools

183

Total Partner Designations

24 are different

CPA	CFE	CISA
CIE	PFS	CTGA
ABV	CVA	CGFM
CFE	CMA	FAHM
CFF	CAM	MCSE
AEP	MCP	Cr.FA
CFE	CITP	CGEIT
CFP	CFSA	CCIFP

Professional Affiliations

PCAOB & Moore Stephens

National Strength. Southern Roots.

Current Rankings: 3rd in the South and 29th in the U.S.

Health Care Reform

The Patient Protection and Affordable Care Act
& The Health Care and Education Reconciliation Act of 2010

- Signed into law in March 2010
- Law was upheld as constitutional by the U.S. Supreme Court in June 2012
- Collectively referred to as "Health Care Reform"
- Primary purpose is to extend health care to millions of uninsured Americans
- Effective dates for provisions range from 2010 to 2018

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MLR Rebates- Large Groups

Insurance carriers must issue rebates to affected employers and employees for the 2011 plan year, as per the Medical Loss Ratio provision.

- Large group health plans (defined by state as either 50+ or 100+ employees) must have at least 85% of premiums applied toward the payment of claims and quality improvement costs.
- If a carrier is found to have applied less than 85% in a market area, it must rebate the difference to the policyholder.

Effective Date: 2012

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MLR Rebates- Small Groups

- **Insurance carriers must issue rebates to affected employers and employees for the 2011 plan year, as per the Medical Loss Ratio provision.**
  - Small group health plans (defined by state as up to either 50 or 100 employees) must have at least 80% of premiums applied toward the payment of claims and quality improvement costs.
  - If a carrier is found to have applied less than 80% in a market area, it must rebate the difference to the policyholder.

Effective Date: 2012

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W-2 Reporting

Employers filing 250 or more Form W-2s must report the aggregate value of an employee's health coverage benefits on their Form W-2.

- There are certain amounts that are not required to be included (refer to the IRS at irs.gov for more details).
- *This reporting requirement is for informational purposes only and does not represent a new tax to be imposed on your business or your employees.*

Effective Date: Tax year 2012

(optional for tax year 2012 for employers filing less than 250 Form W-2s in the prior tax year)

Medicare Taxes

Higher income taxpayers can expect to see an increase in taxes to support Medicare.

- The Medicare tax rate will increase to 2.35% (from 1.45%) on earnings over these thresholds for the following taxpayers:

Married, filing jointly	Over $250,000
Married, filing separate	Over $125,000
Individual	Over $200,000

- A Medicare tax of 3.8% will be imposed on investment (passive) income over the thresholds for these same higher-income taxpayers.

Effective Date: 2013

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Itemized Deduction Threshold

You can claim an itemized deduction for your unreimbursed medical expenses.

- Must be in excess of 10% of your adjusted gross income (this threshold for claiming the deduction is increased from 7.5% of adjusted gross income).
- Age-Based Exception: The itemized deduction threshold remains at 7.5% of adjusted gross income through 2016 for individuals age 65 or older.

Effective Date: 2013

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Mandatory Insurance Coverage

All individuals must carry insurance for themselves and their dependents or potentially pay a tax.

- Taxes for non-compliance based on a fixed amount or percentage of income over filing thresholds is scheduled to increase as follows:

	2014	2015	201
Tax: The greater of	$95 or 1% over the filing threshold	$325 or 2% over the filing threshold	$695 or 2.5% over the filing threshold

- No criminal penalties or IRS liens or seizures are currently planned for non-compliance.

Effective Date: 2014

Corporate Tax Credit Increase

For employers with <u>less than 25 FTE employees</u>, the tax credits effective in 2010 for the cost of health insurance provided to employees will increase.

- The 35% tax credit provided to non-tax-exempt corporations will *<u>increase to 50%.</u>*
- The 25% tax credit provided to tax-exempt corporations will *<u>increase to 35%.</u>*
- Employers with 10 or fewer employees and average wages of $25,000 or less may receive the total credit.

This tax credit will be limited to two consecutive years.

Effective Date: 2014

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FSA Contribution Limit

Employee contributions to medical flexible spending accounts are limited yearly to the lesser of:

- Plan maximum
- $2,500

This maximum will be adjusted annually for inflation beginning in 2014.

Effective Date: 2013

Shared Responsibility Provisions

- For employers with 50 or more FTE employees that ***do not offer insurance*** and where **one or more full-time*** employees receive subsidy, the employer must pay **$2,000** per full-time* employee.**
- For employers with 50 or more FTE employees that ***offer insurance*** and where at **least one or more** employees receive subsidy, the employer may be required to pay the **lesser of $2,000** per full-time* employee** or **$3,000** per full-time employee receiving a premium credit.
  - * Full-time: Average working hours of at least 30 hours
  - **When calculating the tax owed, an employer paying $2,000 per employee would subtract the first 30 full-time employees.

Depending on your number of employees, the fees for not providing coverage can be significant. ***Fees are not tax deductible***.

Effective Date: 2014

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Aggregation Rules

1. Existing IRS Code provisions (under the qualified retirement plan rules) are used to determine affiliated groups
2. Employees of a controlled group of corporations (Sec. 414(b))
3. Employees of partnerships, proprietorships, etc. under common control(Sec. 414©)
4. Employees of an affiliated service group(Sec. 414(m))
5. Separate organizations, employee leasing, or other arrangements treated by IRS as involving a single employer (Sec 414(o))

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Limits Effective in 2014

Effective for All Businesses:

- **Waiting Period Limits:** The waiting period for providing employees health care coverage cannot be longer than 90 days from the time of the employee's date of hire.
- **Lifetime Limits:** To help ensure no individual is dropped from health coverage, employer-sponsored plans cannot have lifetime dollar limits on essential benefits provided to employees.

Effective Date: 2014

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Children with Pre-Existing Conditions

For children up to Age 19:

- Employer-sponsored plans cannot exclude health insurance coverage
- Even if the child has pre-existing conditions

Effective Date: 2010

Dependent Coverage

For dependents up to Age 26:

- Employer-sponsored plans that provide dependent coverage must continue to provide dependent coverage up to the age of 26.

Not required to offer health coverage to spouses.

Effective Date: 2010

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Uniform Employee Benefits

Employer-sponsored plans must offer all employees the same benefits.

- Plans cannot discriminate in terms of eligibility
- Plans cannot offer certain benefits exclusively to highly-compensated individuals, executives or equity owners

Beginning in 2018, the new law places a 40% excise tax on high-cost employer-sponsored health coverage (“Cadillac” Plans).

The excise tax is imposed on insurance companies and is based on premiums that exceed certain amounts (not on employers themselves unless they are self-funded).

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Annual Dollar Limits

To ensure no individual is dropped from health insurance coverage, annual dollar limits on essential benefits will be:

- Restricted beginning in 2010
- Eliminated entirely in 2014

Effective Date: 2010 - 2014

Preventive Care Coverage

Employer-sponsored plans must offer first-dollar health coverage for preventive care *without* requiring:

- Deductible
- Co-pay
- Co-insurance

Effective Date: 2011

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