



District Business & Advisory Services

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Bulletin: 13-017

Date: August 16, 2012

To: District Fiscal Directors

From: Joyce Shen

Re: Federal Health Care Reform - Upcoming Changes-

The purpose of this bulletin is to inform you of changes that are scheduled to be implemented within the next few years under the Federal Health Care Reform bills.

Background Information:

The **Patient Protection and Affordable Care Act (PPACA)** is a United States federal statute signed into law by President Barack Obama on March 23, 2010. Together with the Health Care and Education Reconciliation Act, it represents the most significant regulatory overhaul of the U.S. healthcare system since the passage of Medicare and Medicaid in 1965.

Although certain provisions of the PPACA were challenged, on June 28, 2012, the Supreme Court upheld the constitutionality of the major provisions that impact local educational agencies. Provisions have been phased in starting six months after the PPACA was signed, and the phasing in will continue through 2018.

The Federal Health Care Reform was enacted through two bills:

- House of Representatives (H.R.) 3590: The Patient Protection and Affordable Care Act (PPACA)
 - Signed March 23, 2010
- Health Care and Education Reconciliation Act of 2010 (HCERA)
 - Signed March 30, 2010

I have included two tables below, for your convenience:

- Health Care Reform Changes – listed chronologically by date
- Common Health Care Costs and whether they will be reported at this time.

It is important to notify your employees of the changes that will become implemented in the next few years. We have drafted a sample *Notice to Employees Letter* that should help you begin this communication. (see 13-017-Attachment A)

Important Note: We advise as you begin planning for future year benefits that you avoid locking in health benefit provisions of employee contracts and collective bargaining contracts beyond December 31, 2013; and ensure that there is an opportunity to reopen and negotiate when the IRS issues final regulations on the “pay or play” mandate expected to begin in 2014.

Below is an overview of the upcoming provisions that can affect Public Education Employers.

Period	Changes
Plan year beginning on or after 9/23/12	Individual and group plans (through employers) must provide a uniform summary of Benefits and Coverage to all applicants and enrollees.
Starting January 2013	<p>2012 W-2 Forms must report on the total cost of health coverage that employees receive, starting with the 2012 tax year. Read more on IRS Notice 2011-28ⁱ, IRS Notice 2012-9ⁱⁱ and SCCOE Informational Bulletin 12-101.</p> <p>Important Note: DBAS will extract Employee and Employer costs from the Medical, Dental and Vision Voluntary Deduction Code (Vol-Ded) ranges* that were paid through on the Payroll Deduction (PD) screens. Benefit costs that are being paid by any other means will need to be corrected and reported by the District on a W2-C form.</p> <p><i>*Estimated Volded Ranges:(Dental=2500-29##),(Vision=4500-49##),(FSA= 5000-5499), Med=6500-6699,69##)</i></p> <p>Employee pre-tax contributions to health care reimbursement Flexible Spending Accounts will be capped at \$2,500 per year, to be increased annually by an inflationary factor. Read more on IRS Notice 2012-40ⁱⁱⁱ</p>
Starting March 2013	Covered employers must notify employees upon hire about insurance exchange ^{iv} , eligibility for subsidies, and loss of employer contribution (if any) if employee purchases a plan through the Exchange.
Starting January 2014	<p>"Individual Mandate": Individuals who are not provided health benefits by their employer are required to purchase through the Exchange or pay a penalty.</p> <p>"Pay or Play": Employers with 50 or more employees will be required to provide health benefits to full-time (30 or more hours per week) employees or pay up to a \$2,000 to \$3,000 penalty per employee, depending on the situation. Read more about IRS Notices 2011-73^v and 2012-31^{vi}.</p> <p>The maximum allowable waiting period is 90 days.</p> <p>Employers with 200 or more employees who offer health benefits will be required to give notice to employees that they will be automatically enrolled upon eligibility or they can opt out.</p> <p>Employers with less than 100 employees can purchase health insurance from the Exchange.</p> <p>Employers will be required to report to the Internal Revenue Service (IRS) the following each year:</p> <ol style="list-style-type: none"> 1. Names of employee and dependents covered 2. Number of full-time employees 3. Length of waiting period 4. Monthly premium 5. Employer share of cost 6. Actuarial value of lowest-cost option <p>Read more about the annual reporting requirements IRS Notice 2012-33^{vii}.</p>
Starting January 2017	Employers with 100 or more employees can purchase health insurance from the Exchange.
Starting January 2018	"Cadillac" tax on high-cost health benefit plans takes effect.

Form W-2 Reporting of Employer-Sponsored Health Coverage			
Coverage Type	Form W-2, Box 12, Code DD		
	Report	Do Not Report	Optional
Major medical	X		
Dental or vision plan not integrated into another medical or health plan			X
Dental or vision plan which gives the choice of declining or electing and paying an additional premium			X
Health Flexible Spending Arrangement (FSA) funded solely by salary-reduction amounts		X	
Health FSA value for the plan year in excess of employee’s cafeteria plan salary reductions for all qualified benefits	X		
Health Reimbursement Arrangement (HRA) contributions			X
Health Savings Arrangement (HSA) contributions (employer or employee)		X	
Archer Medical Savings Account (Archer MSA) contributions (employer or employee)		X	
Hospital indemnity or specified illness (insured or self-funded), paid on after-tax basis		X	
Hospital indemnity or specified illness (insured or self-funded), paid through salary reduction (pre-tax) or by employer	X		
Employee Assistance Plan (EAP) providing applicable employer-sponsored healthcare coverage	Required if employer charges a COBRA		Optional if employer does not charge a COBRA premium
On-site medical clinics providing applicable employer-sponsored healthcare coverage			
Wellness programs providing applicable employer-sponsored healthcare coverage			
Multi-employer plans			X
Domestic partner coverage included in gross income	X		
Governmental plans providing coverage primarily for members of the military and their families		X	
Federally recognized Indian tribal government plans and plans of tribally chartered corporations wholly owned by a federally recognized Indian tribal government		X	
Self-funded plans not subject to Federal COBRA			X
Accident or disability income		X	
Long-term care		X	
Liability insurance		X	
Supplemental liability insurance		X	
Workers' compensation		X	
Automobile medical payment insurance		X	
Credit-only insurance		X	
Excess reimbursement to highly compensated individual, included in gross income		X	
Payment/reimbursement of health insurance premiums for 2% shareholder-employee, included in gross income		X	

Other Situations	Report	Do Not Report	Optional
Employers required to file fewer than 250 Forms W-2 for the preceding calendar year (determined without application of any entity aggregation rules for related employers)			X
Forms W-2 furnished to employees who terminate before the end of a calendar year and request, in writing, a Form W-2 before the end of that year			X
Forms W-2 provided by third-party sick-pay provider to employees of other employers			X

The chart was created at the suggestion of and in collaboration with the IRS’ Information Reporting Program Advisory Committee (IRPAC). IRPAC’s members are representatives of industries responsible for providing information returns, such as Form W-2, to the IRS. IRPAC works with IRS to improve the information reporting process.

ⁱ **Notice 2011-28-** This notice outlines the requirements for reporting costs of the employer-sponsored group health plan coverage. It is required under § 6051(a) (14), as part of the Affordable Care Act that provides useful and comparable consumer information to employees on the cost of their health care coverage.

ⁱⁱ **Notice 2012-9-** This notice amends the requirements for reporting costs of the employer-sponsored group health plan coverage, initially provided in Notice 2011-28, 2011-16 I.R.B. 656.

ⁱⁱⁱ **Notice 2012-40-** This notice changes the limits in section 125(i) of the Code on salary reduction contributions to health flexible spending arrangements, effective for cafeteria plan years beginning after December 31, 2012.

^{iv} **Insurance Exchange-** The exchanges are created to simplify the process of buying health insurance, allowing consumers to make one-to-one comparisons. Open enrollment would begin on Oct. 1, 2013, with coverage effective January 1, 2014.

^v **Notice 2011-73-** This notice is intended to continue the process of developing regulatory guidance on the shared employer responsibility under the Healthcare Reform Act.

^{vi} **Notice 2012-31-** This notice specifies that in 2014 eligible individuals who purchase coverage under a qualified health plan through an Affordable Insurance Exchange may receive a premium tax credit unless they are eligible for other minimum coverage.

^{vii} **Notice 2012-33** This notice describes the employer’s reporting requirements of employer-provided health care coverage provided on or after January 1, 2014, as well as the requirement of furnishing of related statements to employees. The first information returns will be filed in 2015.

Notice to All District Employees

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Background Information:

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Although certain provisions of the PPACA were challenged, on June 28, 2012, the Supreme Court upheld the constitutionality all of the major provisions that impact local educational agencies. Provisions have been phased in starting six months after the PPACA was signed, and the phasing in will continue through 2018.

Please see the list of upcoming provisions that may affect you.

- 2012 - W2 Reporting
 - W2 Forms will contain the cost of health coverage that employees receive. Be advised that this amount is for reporting only, and will not affect the employee's tax returns at this time. (*See the attached chart for the Common Health Care Costs and whether or not they will be reported.*)
- 2013 - January
 - Flexible Spending Accounts will be capped at \$2,500 per year.
 - Threshold for deducting medical expenses increases from 7.5% to 10% of income
- 2013 - March
 - Employers must notify employees upon hire about the Insurance Exchange, eligibility for subsidies, and loss of employer contribution (if any) if employee purchases a plan through the Exchange.
- 2014 - January
 - Individuals who are not provided health benefits by their employer are required to purchase through the Exchange or pay a penalty.

Please contact your benefit representative if you have additional questions or concerns.

Form W-2 Reporting of Employer-Sponsored Health Coverage			
Coverage Type	Form W-2, Box 12, Code DD		
	Report	Do Not Report	Optional
Major medical	X		
Dental or vision plan not integrated into another medical or health plan			X
Dental or vision plan which gives the choice of declining or electing and paying an additional premium			X
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Health FSA value for the plan year in excess of employee's cafeteria plan salary reductions for all qualified benefits	X		
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Hospital indemnity or specified illness (insured or self-funded), paid through salary reduction (pre-tax) or by employer	X		
Employee Assistance Plan (EAP) providing applicable employer-sponsored healthcare coverage	Required if employer charges a COBRA		Optional if employer does not charge a COBRA premium
On-site medical clinics providing applicable employer-sponsored healthcare coverage			
Wellness programs providing applicable employer-sponsored healthcare coverage			
Multi-employer plans			X
Domestic partner coverage included in gross income	X		
Governmental plans providing coverage primarily for members of the military and their families		X	
Federally recognized Indian tribal government plans and plans of tribally chartered corporations wholly owned by a federally recognized Indian tribal government		X	
Self-funded plans not subject to Federal COBRA			X
Accident or disability income		X	
Long-term care		X	
Liability insurance		X	
Supplemental liability insurance		X	
Workers' compensation		X	
Automobile medical payment insurance		X	
Credit-only insurance		X	
Excess reimbursement to highly compensated individual, included in gross income		X	
Payment/reimbursement of health insurance premiums for 2% shareholder-employee, included in gross income		X	