

Health Care Reform Got You Spooked?

An informational session on the evolving requirements of the Affordable Care Act.



The Patient Protection and Affordable Care Act – What Employers Need to Know

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This update is based on the known provisions of the PPACA. This is not to be construed as legal or tax advice.

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Exchange/Marketplace

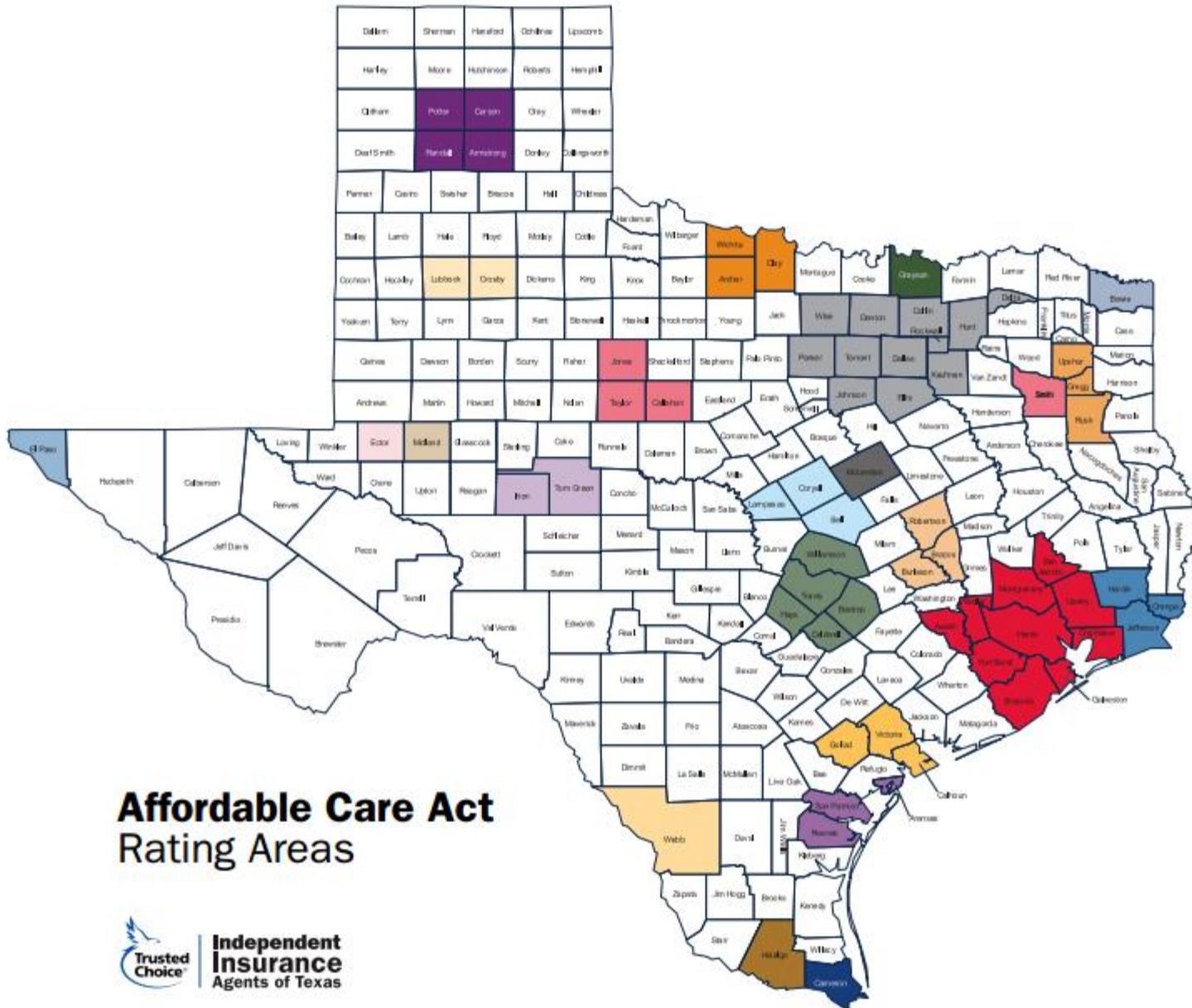


- **“Marketplace”**
 - www.healthcare.gov
 - Online eligibility
 - Online comparison of plans
 - \$4.4 Billion to build (originally \$2 billion)
 - Only place to receive immediate individual subsidy
 - **Open enrollment started Oct 1, 2013** – March 31, 2014
 - Enrollment can be done: online, in person, via mail or phone
 - Marketplace assistors, agents, brokers, navigators SHOP Exchange (**on hold-ish**)
 - Small employer option (2-50)*
 - Only place for tax credit
 - 2-25 ee's, annual avg wages are less than \$50,000 can get up to 50% tax credit
 - Employee Choice (can be limited by the ER) **THIS provision on hold till 2015**

Carrier and Counties



- **Aetna** (± 48 TX counties)
- **Ambetter from Superior HealthPlan** (12 TX counties)
- **Blue Cross Blue Shield of Texas** (all 254 TX counties):
- **Cigna Health** (± 36 counties):
- **CommunityFirst** (3 counties):
- **Community Health Choice** (9 counties):
- **FirstCare Health** (± 106 counties):
- **Humana** (± 20 counties):
- **Molina** (9 counties):
- **Scott & White Health Plans** (± 51 counties)
- **Sendero Health Plans** (8 counties)



Affordable Care Act Rating Areas



**Independent
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s (0)

	Blue Advantage Bronze HMO SM 006	Blue Choice Silver PPO SM 004	Blue Choice Gold PPO SM 011
	\$186^{.23}	\$345^{.29}	\$424^{.27}
	Select	Select	Select
	Save for Later	Save for Later	Save for Later

Quote Profile

Effective Date	01/01/2014	01/01/2014	01/01/2014
Zip Code	76119	76119	76119
Applicants	1	1	1

Plan Features

Individual Out-of-Pocket Maximum	\$6000.00	\$6350.00	\$3000.00
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Plan Features

Benefit Level	Bronze	Silver	Gold
Individual Deductible	\$6000.00	\$3000.00	\$1000.00
Family Deductible	\$12700.00	\$9000.00	\$3000.00
Coinsurance	100%	80%	80%
<u>Office Visit Copay</u>		\$35.00	\$30.00
<u>Lifetime Benefit</u>	No Limit	No Limit	No Limit

Outpatient Hospital/Physician Care	100% Coinsurance after Deductible	80% Coinsurance after Deductible	80% Coinsurance after Deductible
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Medical Coverage Details

Preventive Care	100%	100%	100%
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Medical Coverage Details			
Preventive Care	100%	100%	100%
Maternity Coverage	100% Coinsurance after Deductible	\$250 Copay then 80% Coinsurance after Deductible	\$200 Copay then 80% Coinsurance after Deductible
Outpatient Physician Medical Services	100% Coinsurance after Deductible	80% Coinsurance after Deductible	80% Coinsurance after Deductible
Outpatient Physician Surgical Services	100% Coinsurance after Deductible	80% Coinsurance after Deductible	80% Coinsurance after Deductible
Inpatient Physician Medical/Surgical Services	100% Coinsurance after Deductible	80% Coinsurance after Deductible	80% Coinsurance after Deductible
Outpatient Hospital Services including Surgery	100% Coinsurance after Deductible	\$200 Copay then 100% Coinsurance after Deductible	\$150 Copay then 100% Coinsurance after Deductible
Outpatient Hospital Diagnostic Testing	100% Coinsurance after Deductible	80% Coinsurance after Deductible	80% Coinsurance after Deductible
Inpatient Hospital Services Medical/Surgical Services	100% Coinsurance after Deductible	\$250 Copay then 80% Coinsurance after Deductible	\$200 Copay then 80% Coinsurance after Deductible
Outpatient Emergency Care (Physician and Hospital)	100% Coinsurance after Deductible	\$500 Copay then 80% Coinsurance after Deductible	\$400 Copay then 80% Coinsurance after Deductible
Mental Illness Treatment and Substance Abuse Rehab - Outpatient Hospital/Physician Care	100% Coinsurance after Deductible	\$35 Copay	\$30 Copay
Mental Illness Treatment and Substance Abuse Rehab - Inpatient Hospital Care	100% Coinsurance after Deductible	\$250 Copay then 80% Coinsurance after Deductible	\$200 Copay then 80% Coinsurance after Deductible
Mental Illness Treatment and Substance Abuse Rehab - Inpatient Physician Care	100% Coinsurance after Deductible	80% Coinsurance after Deductible	80% Coinsurance after Deductible
Outpatient Prescription Drug Details			
Preferred Generics	100% Coinsurance after Deductible	\$0.00	\$0.00
Non Preferred Generics	100% Coinsurance after Deductible	\$10.00	\$10.00
Preferred Formulary	100% Coinsurance after Deductible	\$50.00	\$50.00
Non Preferred Formulary	100% Coinsurance after Deductible	\$100.00	\$100.00



- **Income verification provision**

- On "income verification," the Senate deal requires only that the secretary of Health and Human Services report to [Congress](#) by Jan. 1 on the "procedures" in place to verify eligibility for the subsidies, and by next July 1 report on their effectiveness.

1 **DIVISION B—OTHER MATTERS**

2 VERIFICATION OF HOUSEHOLD INCOME AND OTHER
3 QUALIFICATIONS FOR THE PROVISION OF ACA PRE-
4 MIUM AND COST-SHARING SUBSIDIES

5 SEC. 1001. (a) IN GENERAL.—Notwithstanding any
6 other provision of law, the Secretary of Health and
7 Human Services (referred to in this section as the “Sec-
8 retary”) shall ensure that American Health Benefit Ex-
9 changes verify that individuals applying for premium tax
10 credits under section 36B of the Internal Revenue Code
11 of 1986 and reductions in cost-sharing under section 1402
12 of the Patient Protection and Affordable Care Act (42

Delay, Amend, Rescind



- **14 total, some minor**
 - **Exempt TRICARE**
 - **Repealing some burdensome income tax reporting for small business**
 - **Large Employer mandate**
 - **LTC**
 - **IRS Reporting requirements**
 - **W-2**
 - **Auto enroll**

MEC, Skinny Plans



- Skinny plans will have to cover preventive services like vaccines and cancer screenings without any cost-sharing — a requirement of all insurance under the health law. They can't put a cap on annual benefits, as limited benefit, or mini-med, plans typically do now. But the lack of a cap is largely symbolic because the plans don't cover the services that run up medical bills.
- They could offer very limited coverage of hospitalizations or surgeries, for instance, and a certain number of doctor office visits and a narrowly tailored prescription drug benefit. The premium for these plans would be around \$50 a month, said Richard Stover, a principal in New Jersey-based Buck Consultants, who has clients that plan to offer skinny plans next year.
- That will appeal to many employees who may not need extensive coverage and want an inexpensive way to meet the individual mandate. Under the law, anyone who has health insurance through an employer satisfies the mandate.
- For those employees who do receive subsidies on the exchange, their employers would have to pay a \$3,000 penalty.



Legislation on the Horizon?



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WHO YOU GONNA CALL?

Valissa Padgett, CPA



Who Regulates and Enforces the ACA?

- IRS
- Health and Human Services
- DOL



- Under IRC Section 6103(I)(21) the IRS can disclose tax information to:
 - Exchanges
 - State Agencies
 - State Medicaid Programs
 - Children’s Health Insurance Programs (CHIP)
- Allowed to disclose if taxpayers info is relevant to determine eligibility:
 - Identity information
 - Filing Status, # Dependents
 - Adjusted Gross Income (AGI)
 - Social Security Benefits





Who Pays for the Affordable Care Act?

- Drug Manufacturers
- Health Insurers
- Medical device manufacturers (excise tax starting in 2013)
- Indoor tanning services
- .9% & 3.8% Medicare Tax increases (starting in 2013)
- Businesses that offer high-end “Cadillac” plans
- Taxpayers, in part through the Individual Mandate
- Companies, in part through the Business Mandate

SCARY!!!!



Individual Mandate Tax

- Is a TAX individuals pay in lieu of buying health insurance
- Tax does not apply if individual has minimum essential coverage (“Skinny Plans”)
- Monthly tax is 1/12 of the greater of:
 - \$95.00 for each household member who does not have coverage (\$325.00 in 2015, \$695.00 in 2016, and \$695.00 indexed for later years); or
 - 300% of the applicable dollar amount (\$95.00, \$325.00, \$695.00) or
 - 1% of household income (2% in 2015 and 2.5% for later years)

- Exceptions
 - Affordability (required contribution exceeds 8% of household income)
 - Individuals with income below federal income tax filing threshold
- Effective March 2014 – May be delayed further.
- Reportable on 2014 tax returns filed in 2015

Premium Tax Credits for Purchasers of Individual & Family Coverage through Exchanges

MAGI as % of FPL	Amount of premium that purchaser must pay as percent of income
100% to 133%	2 %
133% to 150%	3% to 4%
150% to 200%	4% to 6.3%
200% to 250%	6.3% to 8.5%
250% to 200%	8.05% to 9.5%
300% to 400%	9.5%

- An individual may be eligible for a premium credit because the employer :
 - Does not offer health care coverage
 - Offers coverage that is either not “affordable” or does not provide “minimum value”
- Joint return filers and/or filers with dependents may claim credit for coverage for husband and/or wife and dependents



Individual Mandate Tax Enforcement – IRS can withhold from refund but no other enforcement actions addressed.

Premium Credit Reconciliation – Occurs only on tax return

CPA's – Now insurance enforcement officials?



Large Employer- Unaffordable/Inadequate Coverage Penalty

- Employer will have to pay penalty if:
 - The employer is an applicable large employer,
 - The employer offers all of its full-time employees and their dependents the opportunity to enroll in group health coverage, and
 - One or more full-time employees:
 - Do not enroll in the employer-sponsored coverage; and
 - Buy health insurance on any exchange with premium assistance



Employer Mandate delayed until 2015- 50+ FT/FTE (30 Hours)

General Cost Estimates of Compliance - Large ER's

- 5-7% of EBITDA before cost of playing
- 6-7% increase in premiums, 3% in fees, 3-4% in plan changes= 13%
- \$5-10K per covered life



Direct Costs of Paying (vs. Playing)

– Penalty equals lesser of:

- \$3000.00 x number of full-time employees receiving premium assistance
- \$2000.00 x (number of full-time employees-30)
- **NON-DEDUCTIBLE**



CAUTION: DANGER AHEAD

Considering giving raises to employees so they can go to marketplace and buy their own coverage?

1. Tax implications for Employee
 - New tax bracket
 - Still qualify for credits & subsidies
 - Qualification for other programs/credits?
2. Employer Costs
 - Increased payroll tax burden, 401(k) match, etc.
 - Increased worker's compensation costs



And No Tricks: So WHO is the Employer?

CAUTION: DANGER AHEAD

Considering setting up multiple small companies?

- Controlled and affiliated service group rules of IRC §§ 414(b), (c), (m), and (o) apply
- This means that the employees of two or more employers may need to be added together if (among other possibilities)
 - They have overlapping ownership
 - They are owned by certain close family members



- (b) is controlled groups
- (c) is employees of companies under common control (80%, 50%)
- (m) is affiliated service groups
- (o) is other regulations to prevent abuse under separate organizations, employee leasing or other arrangements



Provides potential planning opportunities:

- 1) Non-family minority ownership
- 2) Independent contractors
- 3) Increasing use of part-time employees



Direct Costs of Playing

1. Changes to plan
2. Uptick in enrollment?
 - No pre-existing conditions
 - Individual mandate
 - Spouses employer may decide to pay vs. play
 - FTE now = 30 hours
3. Fees, Fees, Fees
 - PCORI \$1-\$2 per covered life (Form 720 due every July 31 thru 2020)
 - Health insurance carrier fee 2-3%
 - Reinsurance fee, approx. \$63 per life (actuarial based) – 3 years
 - Cadillac tax– is your plan too good? >\$10k value individual >\$27k family. Tax = 40% of value over threshold. (Effective 2018.)



Indirect Benefits

1. Retention
2. Morale
3. Recruiting
4. Wellness/Productivity (employee incentives)



Indirect Costs

1. TPA Costs / CPA Cost (Administrative – Pass through.)
2. IRS Compliance and Reporting Costs
3. Technical Systems for Compliance
4. Workforce Analytics
5. Employee Communication & Education



Form 6056 & 6055

Another IRS Requirement

- Every large employer subject to “pay or play” provisions
- Voluntary for 2014, Implemented 2015
- A certification as to whether the employer offers to its full-time employees (and their dependents) the opportunity to enroll in minimum essential coverage under an eligible employer-sponsored plan
- If the employer certifies that the employer did offer to its full-time employees (and their dependents) the opportunity to enroll—
 - (i) the length of any waiting period
 - (ii) the months during the calendar year for which coverage under the plan was available,
 - (iii) the monthly premium for the lowest cost option in each of the enrollment categories under the plan, and
 - (iv) the employer share the total allowed costs of benefits provided under the plan,
- The number of full-time employees for each month during the calendar year,
- The name, address and TIN of each full-time employee during the calendar year and the months (if any) during which such employee (and any dependents) were covered under any such health benefit plans



In case that does not haunt you

- Additional Medicare Tax which is .9% tax on wages and SE earnings in excess of limits (AGI > \$200k for Single, > \$250k MFJ)
- All wages, RRTA and any other income currently subject to regular Medicare tax
- Employers should withhold on wages > \$200,000



Every bit as spooky:

- 3.8% Tax on Net investment Income of certain high-income individuals (AGI > \$200k for Single, > \$250k MFJ) and trusts
- NII Includes, but not limited to:
 - Interest and dividends, non-qualified annuities
 - Capital gains
 - Rents and royalties
 - Passive activity income under §469



Only Ghostbuster is “exempt business income”:

- Tax on Net Investment Income

- There is a category of taxable income that is subject to none of these taxes (*“exempt business income”*):
 - The income is from a business in which the taxpayer materially participates (i.e., active business income);
 - The business does not involve trading in securities or commodities; and
 - The income is not wages or earnings from self-employment.
 - We may see a resurgence of S-Corporations.



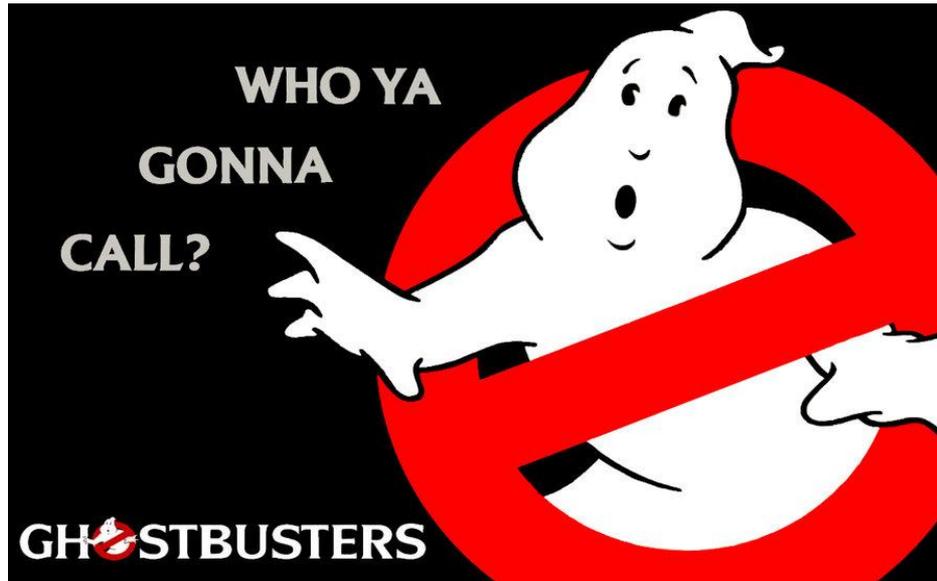
The Whole House is Full of Ghosts!

At \$300,000 (MFJ) :

- .9% Medicare Tax > \$250,000 wages
(*Caution – MFJ & two working spouses*)
- 3.8% Net Investment Tax on investment income
- 36% tax bracket (39.6% ~ \$400,000)
- 10% AGI medical deduction threshold
- Phaseout of itemized deductions
- Phaseout of personal exemptions

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Questions?