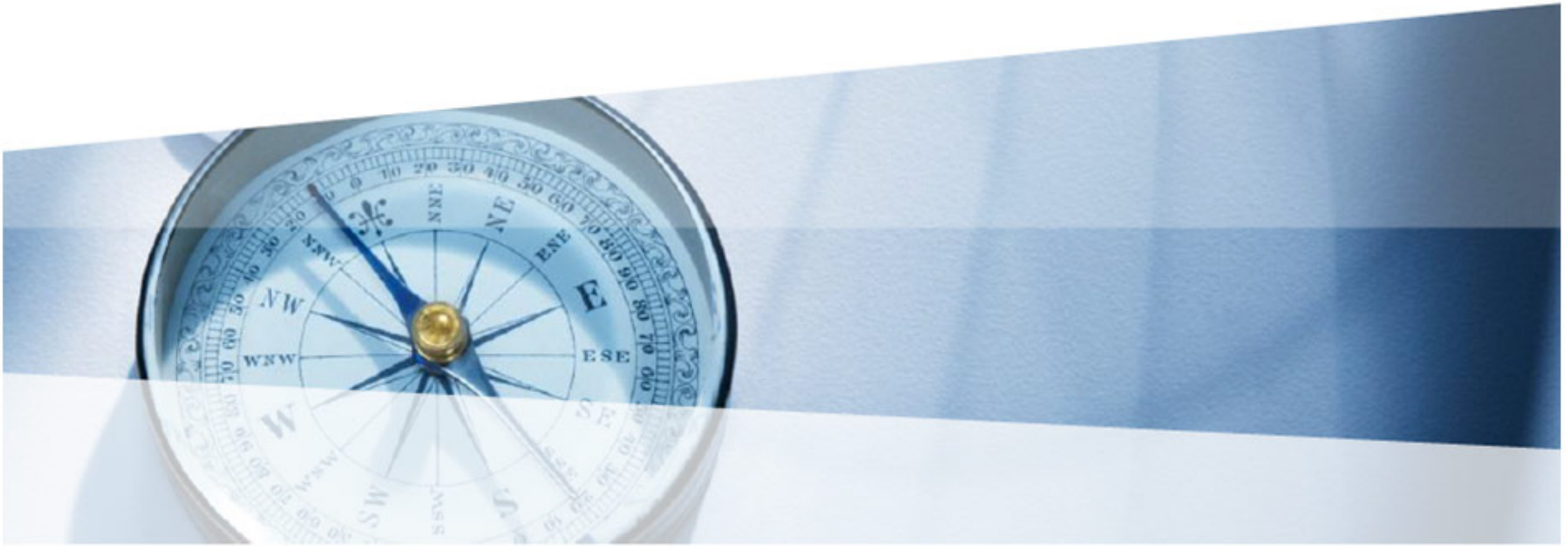
Appendix



Key Elements of Health Care Reform for Employers

2010

- Change in tax treatment for over-age child coverage
- Early retiree medical reinsurance

- Accounting impact of change in Medicare retiree drug subsidy tax treatment
- Medicare prescription drug "donut hole" beneficiary rebate
- Break time/private room for nursing moms

2011

- No lifetime dollar limits on essential health benefits[1]
- Restricted annual dollar limits on essential health benefits; phased amounts until 2014[1]

- Child coverage to 26 (grandfathered plans may limit to children without access to other employer coverage, other than parent's coverage)[1]
- No pre-existing condition limitations for enrollees up to age 19[1] and no rescissions[1]
- No health FSA/HRA/HSA reimbursement for non-prescribed drugs (except insulin)
- Increased penalties for non-qualified HSA distributions
- Additional standards for non-grandfathered health plans, including preventive care in-network with no cost-sharing, coverage of emergency services in- and out-of-network, appeal and external review, provider choice, and non-discrimination rules for insured plans[3]
- Income-based Medicare Part D premiums
- Pharmaceutical importers and manufacturers' fees start
- Medicare, Medicare Advantage benefit and payment reforms
- Insurers subject to medical loss ratio rules

2012

- Employers to distribute uniform summary of benefits and coverage (SBC) to participants
- 60-day advance notice of mid-year material modifications to SBC content

- Form W-2 reporting for health coverage (track in 2012 for W-2 form provided in early 2013)[4]
- Coverage for additional women's preventive care services

2013

- $2,500 (indexed for inflation) per plan year health FSA contribution cap (plan years on or after January 1, 2013)
- Comparative effectiveness research (PCORI) fees first due (7/31) for calendar year plans (and 11/1 and 12/1 plans)
- Employers notify employees about exchanges by Oct. 1, 2013; to new hires thereafter
- Medical device manufacturers' fees start
- Higher Medicare payroll tax on wages exceeding $200,000/individual; $250,000/couples
- Change in Medicare retiree drug subsidy tax treatment takes effect
- Health Insurance exchanges initial open enrollment period (10/1/13 – 3/31/14)

2014

- Health insurance exchange coverage begins
- Individual coverage mandate[5]
- Financial assistance for exchange coverage of low- and middle-income individuals
- State Medicaid expansion (only in some states)
- Child coverage to age 26 for any covered employee's child[2]
- No annual dollar limits on essential health benefits[2] (generally banning stand-alone HRAs for active employees)
- No pre-existing condition limits[2]
- No waiting period over 90 days (plus 1-month employment-based orientation period)[2]

2015 & 2016

- Employer shared responsibility[6]
- Transitional reinsurance fees first due in early/late 2015
- Additional employer and insurer reporting and disclosure (reporting due in early 2016)
- Auto enrollment some time after 2014 (effective date TBD)

- Wellness limit increase allowed[2]
- Health insurance industry fees
- Additional standards for non-grandfathered health plans, including limits on in-network out-of-pocket maximums, provider nondiscrimination, and coverage of routine patient costs of clinical trial participants
- Small market, non-grandfathered insured plans must cover essential health benefits using a form of community rating
- Insurers must apply guaranteed issue and renewability to non-grandfathered plans of all sizes
- Health Insurance exchanges 2015 open enrollment period (11/15/14 – 2/15/15)
- Comparative effectiveness research (PCORI) fees first due (7/31) for non-calendar year plans (except 11/1 and 12/1 plans)

2018

- 40% excise tax on "high cost" or Cadillac employer-sponsored health coverage

Footnotes

1. *Applies to all plans, including grandfathered plans, effective for plan years beginning on or after 9/23/2010 (1/1/2011, for calendar year plans).*
2. *Applies to all plans, including grandfathered plans, effective for plan years beginning on or after 1/1/2014.*
3. *Applies to non-grandfathered plans, effective for plan years beginning on or after 9/23/2010, except that insured plan discrimination ban is delayed until regulations issued.*
4. *A temporary exemption applies to certain categories of employers.*
5. *A temporary exemption applies to employees of employers with non-calendar-year plans , as well as individuals who enroll in an Exchange plan by 3/31/2014. Other exemptions may also apply.*
6. *Effective 2015 for applicable large employers with 100 or more full-time employees; effective 2016 for applicable large employers with 50 or more full-time employees. Transition relief for non-calendar year plans may apply.*

Final Employer IRS Reporting

IRS Filing and Employee Notice Requirements		
	Minimum Essential Coverage	**Employer Shared Responsibility**
Purpose	Administer individual mandate penalties.	Administer shared responsibility penalties.
	Assist with reviewing eligibility for exchange income-based subsidies.	
Who reports?	All entities providing MEC, including: • Employers sponsoring self-funded plans (each controlled group member reports separately). • Issuers covering employer group plans.	• Large employers (≥ 50 FTEs). • Each controlled group member reports separately.
	No transition relief for employers with non-calendar year plans or for employers with between 50 and 99 full-time employees otherwise exempt from employer shared responsibility requirements in 2014.	
Who receives the reports?	• Annual reports to IRS. • Annual information statements to *responsible individuals* (e.g., employee if also enrolling family members).	• Annual reports to IRS. • Annual information statements to *full-time employees* (≥ 30 hours/week).
Effective date	• Employee information statement: Feb 1, 2016 for 2015 coverage year (annually on Jan 31 thereafter). • IRS: Annually by Mar. 31 for e-filers or Feb. 28 for paper filers (Monday, Feb. 29, 2016 for 2015 coverage year for paper filers).	

Final Employer IRS Reporting

IRS Filing and Employee Notice Requirements		
	Minimum Essential Coverage	**Employer Shared Responsibility**
Key requirements	• IRS reporting: – Information on entity providing MEC. – Information on employer sponsoring the plan. – Name, address, and TIN (DOB if TIN not available) of responsible individual. – Name and TIN (DOB if TIN not available) of all covered individuals. – Months enrolled in MEC. • Information statements: – Providing entity contact information. – IRS reporting specific to that individual.	• IRS reporting: • Name, address, and EIN of employer. • Name and phone number for contact at employer. • Monthly certification – MEC offered to FTEs and dependents; FTE count. • Each FTE's name, address, TIN. – Months coverage available. – Monthly employee cost for lowest cost, self-only, minimum value coverage. – Months covered under a plan. • Information statements: – Name, address, and EIN. – IRS reporting specific to that FTE.
	All information reported on a calendar year basis, regardless of plan year	
Forms	IRS/Individual Statement – **Form 1095-B** IRS Transmittal Form – **Form 1094-B**	IRS/Employee Statement – **Form 1095-C** IRS Transmittal Form – **Form 1094-C**
	Large, self-funded employers will file a combined report using the "C" Forms	

(Not So) Simplified Reporting – Alternative Option 1
ESR Reporting

Option 1

- Simplified IRS reporting and employee statements for all employees.
- Needn't identify whether any employee is full-time.
- Needn't report the total number of full-timers.

- Offers MEC that is affordable and provides minimum value to ≥ 98% of employees reported (whether or not FT).
  - Affordable = meeting any of employer shared responsibility safe harbors (FPL, Rate-of-Pay, Form W-2).
  - Coverage must be offered to biological and adopted children.

Option 1

Option does not exempt the employer from any penalties that might apply for failure to report with respect to any full-time employee.

Reporting is still required for all full-time employees, including those employees not offered coverage.

(Not So) Simplified Reporting – Alternative Option 2
ESR Reporting

Option 2

- Simplified IRS reporting and employee statements for these employees only.
- IRS and employee notified that **qualifying offer** was made for all 12 months of the calendar year (generally disqualified from premium tax credits for the year); employees receiving qualifying offer for less than 12 months can use simplified reporting for those months.
- General method reporting for all other employees.

- **Qualifying offer**
  - Minimum value coverage offer to employee.
    - With a self-only contribution of ≤ 9.5% FPL (mainland) for single tier (regardless of employee's actual household size or income).
  - MEC offer to that employee's spouse and dependents.

(Not So) Simplified Reporting – Alternative Option 3
ESR Reporting

Option 3

- Simplified IRS reporting and employee statements for all employees including those not receiving qualifying offer.

- **Qualifying offer** to ≥ 95% of FT employees in 2015.
  - Minimum value coverage offer to employee.
    - With a self-only contribution of ≤ 9.5% FPL (mainland) for single tier (regardless of employee's actual household size or income).
  - MEC offer to that employee's spouse and dependents.

Option 3 This option is available for 2015 reporting only!

Special 2015 Play-or-Pay Transition Rules for Non-calendar Year Plans

- Transitional relief from penalty for Full-time Employees **offered coverage** under the plan terms in effect Feb. 9, 2014 (including new hires offered coverage from Feb. 9, 2014 through the first day of the 2015 plan year)
  - Relief for the 2015 months before the 2015 nonCY plan year begins
  - Otherwise, penalty could apply for one or more months in 2015 if the coverage offered during the 2014 plan year is unaffordable or not minimum value
- Conditions for relief (all must apply)
  - Plan was in existence on Dec. 27, 2012
  - Plan year was not changed to later date at any point after Dec. 27, 2012
  - Plan must offer Minimum Essential Coverage (MEC) to at least 70% of Full-time Employees and their dependent children (or be working towards covering dependents) on the first day of the 2015 plan year
    - If not, "non-offering" penalty will apply for **ALL** months in 2015
  - Relief applies only to a Full-time Employee who is offered affordable, minimum value coverage as of the first day of the 2015 plan year
  - Relief only applies to employees who were not eligible for any calendar year plan maintained by the employer as of Feb. 9, 2014

Special 2015 Play-or-Pay Transition Rules for Non-calendar Year Plans

- What about employees **not offered coverage** for the 2014 plan year? Relief available, but must meet certain conditions
  - Relief is available from penalty for 2015 months before the 2015 nonCY plan year begins
- Conditions for relief (all must apply):
  - Plan was in existence on Dec. 27, 2012
  - Plan year was not changed to later date at any point after Dec. 27, 2012
  - Plan must offer Minimum Essential Coverage (MEC) to at least 70% of Full-time Employees and their dependent children (or be working towards covering dependents) on the first day of the 2015 plan year
    - If not, "non-offering" penalty will apply for **ALL** months in 2015
  - Plan must offer coverage to a certain percentage of employees or full-time employees (see **significant percentage tests** on next page)
  - Relief only applies to full-time employees who were not eligible for any calendar year plan maintained by the employer as of Feb. 9, 2014
  - **Relief only applies to full-time employees offered affordable, minimum value coverage for the 2015 nonCY plan year**

Special 2015 Play-or-Pay Transition Rules for Non-calendar Year Plans

- Plan must satisfy one of the **significant percentage tests**:
  - Look at all employees—plan
    - must cover at least 1/4 of all employees as of any date between 2/10/13 and 2/09/14, or
    - coverage was offered to at least 1/3 of all employees during last open enrollment period ending prior to 2/09/14, **or**
  - Look at Full-time Employees only—plan
    - must cover at least 1/3 of all FT employees as of any date between 2/10/13 and 2/09/14, **or**
    - coverage was offered to at least ½ of all FT employees during last open enrollment period ending prior to 2/9/14.
- No relief from reporting on 2015 coverage for nonCY plans