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CALIFORNIA STATE ASSOCIATION OF COUNTIES (CSAC) ANNUAL MEETING

Affordable Care Act for Employers

12/3/2015

PRESENTED BY:

Shardé C. Thomas

Affordable Care Act for Employers

California State Association of Counties (CSAC) Annual Meeting | December 3, 2015

Presented by: *Shardé Thomas*

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Leading The Way
35
Years

**Affordable Care Act
for Employers**

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ACA Mandates

- Individual Mandate – individual tax penalty for not *having* health coverage
- Employer Mandate (Shared Responsibility Payment) – employer tax penalty for not *offering* health coverage

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**Employer Mandate:
Large Employer Penalties**

- Effective January 1, 2015
- Large Employers
- Trigger: full-time employee purchases subsidized coverage in exchange

(Penalty A) Employer does not offer “minimum essential coverage” to “substantially all” full-time employees & dependents; or

(Penalty B) Coverage is “unaffordable” or doesn’t provide “minimum value”

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Penalty (A) "No Coverage"

Penalty A

Must **Offer** Minimum Essential Coverage ("MEC") to **"Substantially All"** Full-Time Employees and their **Dependents**

- "Substantially All" = 95% of full-time employees
 - 2015 only "substantially all" = **70%**
- Dependents
 - Children up to age 26 (but not stepchild or foster child)
 - Not spouses

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Penalty A (Failure to Offer Coverage)

Penalty A =

$\$173.34/\text{month} \times (\# \text{ of Full-time employees employed during that month less } 30 \text{ (less } 80 \text{ in } 2015 \text{ only)})$

- \$173.34/mo. (\$2,080/yr) = Applicable Payment Amount per month in 2015
- Amount adjusts annually

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**Penalty (B)
“Unaffordable Coverage”**

Penalty B

- Offer “Affordable Coverage” that provides “Minimum Value” to full-time employees

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Penalty B – Minimum Value

Providing Minimum Value Means:

- Employers must cover 60% of cost of total allowed costs of benefits
- Actuarial determination

Ask Insurance Carrier if plans meet requirement

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CalPERS Plans

- CalPERS has certified that its plans offer “minimum value”

Employers Must:

- Make sure plans offered are “affordable”

AND

- Identify which employees are “full-time”

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Affordability Safe Harbors

Employee premium contribution toward lowest cost self-only plan is no more than 9.5% of:

1. Form W-2 (use Box 1 wages)
2. Rate of Pay (lowest hourly rate x 130 **or** monthly salary)
3. Federal Poverty Line (monthly FPL)
 - \$92.38 for calendar year plan beginning Jan. 2015
 - \$93.18 for non-calendar year plan beginning mid-2015

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Avoiding Penalty B (Unaffordable Coverage)

Monthly penalty is *lesser* of:

- Penalty A

OR

- Penalty B = \$260 x # of FT employees receiving subsidy during that month

(\$3,120/yr. – Adjusts annually)

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Hours of Service

“Hours of Service” Under the ACA

- Each hour employee is **paid or entitled to payment** for performance of duties; &
- Each hour employee is **paid or entitled to pay** during time for which no duties are performed (i.e. vacation, holiday, illness, incapacity, military duty, leave, jury duty, layoff)

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Volunteers

- Do not include hours worked by “bona fide volunteers”
- “Bona fide volunteer”
 - Employee of government entity, 501(c) or 501(a) organization
 - Only compensation allowed is reimbursement for reasonable expenses or reasonable benefits/fees customarily paid in connection with performance of services

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Penalty Trigger: Full-Time Employee

- Full-Time Employee
- Basic Definition
 - Average 30 hours of service per week in any given month (130 hours/month)
- Look Back Measurement Method Safe Harbor
 - Average 30 hours of service per week over a Standard Measurement Period (up to 12 mo → 1560 during Measurement Period)

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Limited Non-Assessment Period

- Not subject to penalties during the period
- Employee must be offered affordable MV coverage by first day after end of period
- New Full-time – first 3 full calendar months
- Look Back Safe Harbor – Initial MP + Admin period for new variable hour, seasonal, part-time employee.
 - Change in status

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Look Back Measurement Method Safe Harbor

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How It Works

- Basic Concept:
Measure employee for time period to determine full/part time – treat them as such during associated stability period
- Two main parts to Safe Harbor:
 1. Ongoing employees
 2. New variable hour, part-time, seasonal employees

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Legal Restrictions –Timing & Length of Periods

- Ongoing Employees
 - Standard Measurement Period
 - Administrative Period
 - Stability Period
- New Variable Hour, Part-Time, Seasonal Employees
 - Initial Measurement Period
 - Administrative Period
 - Stability Period
- Comply with legal requirements when setting up the periods

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Reporting

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Determining Reporting Forms to File	
Employer Description	Applicable Forms
Applicable Large Employer Offering Fully-Insured Coverage	1094-C (entire form) and 1095-C (except Part III)
Applicable Large Employer Sponsoring Self-Insured Coverage	1094-C (entire form) and 1095-C (entire form)
Small Employer (non-ALE) Sponsoring Self-Insured Coverage	1094-B and 1095-B
Small Employer Offering Fully Insured Health Plans	Not Applicable

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Purpose of the Applicable Large Employer Reporting Requirements	
<ul style="list-style-type: none">• Inform IRS of large employer compliance with Employer Mandate• Determine eligibility for exchange subsidies (aka premium tax credits)	

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IRS Reporting Form 1095-C	
<ul style="list-style-type: none">• Who: Applicable large employers• What: Report information regarding type of coverage offered and applicable transition relief• How:<ul style="list-style-type: none">– One Form 1095-C for each full-time employee– One Form 1095-C for any employee who enrolls in coverage (if employer sponsors self-insured health plans)	

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IRS Transmittal Form 1094-C

- Transmittal form for employers filing 1095-C
- Content
 - Name and contact information of employer
 - Total number of Forms 1095-C submitted
 - Offered minimum essential coverage
 - Number of full-time employees per month
 - Total employees per month

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Plan Sponsors of Self-insured Plans

- Sponsors of single employer plans
 - Employer must report
- Special rule for government employers
 - Written Agreement (employer with self-insured plan and another related unit, agency, instrumentality)
 - By January 31
 - Designated agency is sponsor for reporting

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IRS Reporting Form 1095-B

- Who: Employers offering self-insured coverage
- What: Report information regarding individuals covered by minimum essential coverage
- How:
 - One Form 1095-B for each individual covered for any part of the calendar year

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Required Returns

- A return is required **each** year for **each** full-time employee on whom reporting is required (Form 1095)
- Single transmittal to IRS of all returns for the year (Form 1094 = transmittal)
- Report information regarding type of coverage offered and applicable transition relief

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Written Statements (6055 & 6056)

- Statement may be a copy of the IRS return, or a substitute containing the same information
- May provide electronically only if meet certain requirements (affirmative consent to electronic receipt of statement)
- Due January 31 (annually)

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Method of Filing

- Data from Prior Year (2015 data reported in 2016 for first annual filing)
- **More than 250** returns, must e-file:
 - By March 31 (2016 first filing)
- **Less than 250** returns, can:
 - By February 28, hard copy filing; or
 - By March 31, e-file (optional)
- Written statement to each employee reported on due on or before January 31 (first due 2016)

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Questions?

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