W-2 Health Plan Reporting

The Affordable Care Act (ACA) requires employers who provide group health insurance coverage to their employees to report the cost of that coverage (both the employer and employee contribution) on each employee's W-2. The reporting requirement does not affect the tax status of the benefits, but was designed to assist in collecting the data necessary to administer various provisions of the law.

Who is affected by the requirement:

- Employers who filed more than 250 W-2s for the 2011 tax year are required to do so beginning with 2012 W-2s (distributed in early 2013);
- Employers with fewer than 250 W-2s in the preceding calendar year will not need to meet this requirement.

It's important to note that the implementation timeframe is based on the number of W2s filed for 2011, not the number of employees receiving health plan benefits. So if you have fewer than 250 employees, you could still be required to begin reporting this year due to employee turnover or part-time employees who aren't eligible for health plan coverage.

If you're a PacificSource employer client with more than 220 employees, you should have recently received an email from us with additional details about the reporting requirements as well as a spreadsheet to help you calculate the amounts to enter on your employees' W-2s. If you have not received the information within the next few days, please contact your Membership Service Representative.

Coverage Notification Requirements

By March 1, 2013, the ACA requires all employers to inform their employees of the following:

- The availability of a health insurance exchange;
- The employee's potential eligibility for federal assistance if the employer's plan is "unaffordable"; and
- The potential loss of the employer's contribution to health coverage if employees purchase their own health insurance coverage through the state exchange.

While the ACA calls for the Department of Health and Human Services (HHS) to provide a model notice, it has not yet been released. If you have concerns about this provision, you may wish to contact an attorney for advice.
**States Make Progress on Exchanges**

Oregon and Washington are among the first six states to receive conditional approval for their exchanges from the HHS on December 10. It is anticipated that both exchanges will begin operating in fall of 2013 for coverage starting January 1, 2014. The website for Oregon's exchange, called Cover Oregon, is already up and running. Washington's exchange "marketplace" has been named Washington Health Plan Finder.

In Idaho, Governor C.L. "Butch" Otter announced December 11 that he will pursue a state-based health insurance exchange. On January 3, 2013, HHS granted conditional approval to Idaho for its state based exchange. The state's legislature must still weigh in on the decision.

Montana will likely adopt a federally run exchange. Profiles for progress in other states can be found on the Kaiser Family Foundation website.

We will provide future updates on the state exchanges as information becomes available.

**Employer Shared Responsibility**

Beginning in 2014, under the "Employer Shared Responsibility" provisions of the Affordable Care Act, some employers (generally those with 50 or more full-time employees) may incur a penalty if they do not provide "affordable" healthcare coverage to their employees.

One of the factors determining whether employers are assessed this penalty is the value of covered health expenses. The insurance you provide needs to pay for at least 60 percent of covered health expenses for a typical population. Secondly, to avoid the penalty, the employee portion of the premium must not exceed 9.5 percent of the employee's household income.

Final regulations on these provisions have not been issued. As these become clearer, we will provide more information to help our clients understand whether their current PacificSource coverage meets the minimum value requirement. More details about the Employer Shared Responsibility provisions can be found on the IRS website.

**ACA Fees, Taxes, and Penalties**

We've recently received questions from customers regarding the "transitional reinsurance program" fee required by the ACA, which was mentioned in several news articles. This is just one of many fees that are part of the reform law. As a resource for our clients, we are in the process of developing a document that outlines various ACA fees, taxes, penalties, and other assessments. The document will include the latest information available on effective dates, who is responsible for paying, links to any relevant official federal notices, and brief descriptions of each. Stay tuned for more information in an
upcoming eUpdate.

Learn More about Reform

Our Healthcare Reform Resource Center contains FAQs, timelines, additional resources, and more. Visit our Healthcare Reform Resource Center to learn more.