

Benefits Buzz

Navigating the “Healthcare Reform maze” has been a challenge this year for employers and there are continuous clarifications that employers are asking. Did you know that on December 12, 2010, a federal judge in Virginia ruled that part of the health care reform law is unconstitutional – the individual mandate to obtain health insurance, which is set to go into effect on January 1, 2014? The Justice Department is expected to appeal the ruling, and it is likely that this case will eventually be heard by the Supreme Court. As we all wait for the end of the story however, there has been clarification in a few areas.

Guidance has been released regarding health plan grandfathered status. A plan will lose grandfathered status if (and only if) it undergoes one of the following changes after March 23, 2010:

1. Elimination of all or substantially all benefits to diagnose or treat a particular condition.
2. Increase in a percentage cost-sharing requirement (such as raising a coinsurance amount).
3. Increase in a deductible or out-of-pocket maximum that exceeds medical inflation plus 15 percentage points.
4. Increase in a copayment amount that exceeds medical inflation plus 15 percentage points (or, if greater, \$5 plus medical inflation).
5. Decrease in an employer’s contribution rate towards the cost of coverage by more than 5 percentage points.
6. Imposition of annual limits on the dollar value of all benefits below specified amounts.

Also note that this grandfather analysis applies separately to each benefit package within a company. Thus, if one of your plans loses grandfathered status, it will not affect the statuses of your other plans.

Another recent change is actually a delay to the Bill. The Patient Protection and Affordable Care Act require employers to report the aggregate cost of employer-sponsored group health coverage on each employee’s Form W-2. The IRS recently announced that it will delay the compliance date for this requirement.

Previously, employers would have had to comply with this reporting requirement for the 2011 Form W-2s (which are issued in 2012). Now, the effective date has been delayed one year, so that employers need to include this information for the first time on the 2012 W-2s (which are issued in 2013).

Employers should use this additional time to ensure that they (or their payroll provider) are prepared to gather the necessary information in advance of having to comply with this requirement. They must be able to identify the applicable employer-sponsored coverage that was provided to each employee, and calculate the aggregate cost of that coverage.

Employees may have questions about this new reporting procedure, regarding whether their health benefits are now taxable. You can assure your employees that this rule applies to reporting only, and does not mean they will incur any additional tax obligations.

The world of employee benefits has become more complex than anyone would have ever dreamed! It is now more important than ever that employers partner with their Insurance Consultant, Accountant and Legal Counsel to make sure your company is in compliance to navigate this complex maze.