

Your Guide to Health Care Reform Provisions



Since the Patient Protection and Affordable Care Act (PPACA) was enacted in March 2010, businesses have been impacted by federal health care reform in many ways. Some of the impacts involved new requirements that are now fully implemented, while others are still being finalized. This document is designed to provide the information you need, as an employer, so you can prepare for the requirements that will most directly affect your business.

This guide includes an overview of the major requirements, along with recommendations on how to prepare and respond. You'll also find a high-level summary of the impact to voluntary benefits and a quick-reference guide that you can save and refer back to.

Colonial Life created this document to help you understand current and future requirements. We also want to show you areas in which the services we provide can help you and your employees. Keep in mind, as the health care reform law continues to be implemented, changes may occur. The information in this document is current as of June 1, 2013. We hope you look to us for help with your benefits program, in this and many other ways.

Colonial Life's Products Are Not Impacted by Market Reforms

Colonial Life's products are supplemental, and are offered in addition to qualified health insurance, so they're not directly affected by the market reform provisions of PPACA.

Colonial Life products are exempt from:

- Health plan design changes
- Coverage requirements, including requirements for covering preventive services
- Restrictions on limits
- Loss ratio requirements
- Coverage for dependents to age 26
- Waiting period limits
- Guaranteed issue (no pre-existing condition) requirements
- Summary of Benefits and Coverage document requirements

Important Considerations for Voluntary Benefits

Health Insurance Exchanges

Colonial Life products will not be offered in the health insurance exchanges, which are to begin operating in each state on January 1, 2014.

What does this mean to you? A common and centralized exchange will provide standardized health insurance options for many individuals and small employers. Voluntary benefits will become more important than ever to cover the needs of your employees, and to attract and retain quality employees.

W-2 Forms – Employer Reporting Requirements

A new reporting requirement for W-2 forms requires employers to include the cost of all “applicable employer-sponsored coverage” on their employees’ W-2 forms. This requirement became effective in 2012. “Applicable employer-sponsored coverage” includes coverage under insured or self-funded health plans provided by the employer. This includes certain voluntary plans when the premiums are paid with pre-tax contributions by the employees or are paid by the employer.

What does this mean to you? You must calculate the cost of any applicable employer-sponsored coverage that is provided to each employee and report that cost on the employee’s W-2 form. Note that this reporting is for informational purposes only and will not affect the employee’s taxable income. Certain exceptions to this reporting apply, so be sure to consult your tax advisor.

Exemption from the Excise Tax

All currently marketed Colonial Life insurance products, when paid for on an after-tax basis, are exempted from the excise tax.

Pre-Tax – All accident and disability products are exempt from the excise tax, regardless of how these benefits are paid for. However, certain supplemental health products, when paid using pre-tax dollars, may be subject to the excise tax. Consult your tax advisor for more information.

What does this mean to you? You will be required to determine the amount of tax due on any applicable employer-sponsored coverage for each employee and report that amount to the coverage provider. Providers are required to pay their applicable portion of the tax. This requirement begins in 2018.

Quick-Reference Guide

Health Care Reform Requirements

In Place — Need Action

Small employer health insurance credit	▶ Apply for this credit if it pertains to you.
Simple cafeteria plan	▶ Consider establishing a cafeteria plan, if you don't already have one.
Dependent coverage up to age 26	▶ Ensure your coverage complies; ensure your employees are aware.
Elimination of pre-existing conditions for those under age 19	
Employer reporting of health coverages on W-2 forms	▶ Ensure you have a means to report this information as required.
Summary of benefits and coverage documents	▶ Ensure you are prepared to meet your obligations under this requirement
Protection of grandfathered plans	▶ Comply if this applies to you.
Medical Loss Ratio (MLR) rebates	
Elimination of subsidy for retiree prescription drug plans	▶ Be aware of this change.
FSA caps	▶ Comply if this applies to you.
Medicare tax increase	

In Place — Confirm and Communicate

Flexible spending account changes – OTC medications	▶ Ensure your carriers have complied. Communicate to your employees.
Preventive care covered at 100%	
Lifetime maximums eliminated	
Plans cannot rescind coverage	
Access to provider choice/emergency services	

Future Requirements — Be Prepared

Written notice of insurance exchanges	▶ Comply if this applies to you.
Coverage mandates and the play-or-pay penalty	▶ Ensure you have ways to communicate these new mandates to your employees.
Availability of insurance exchanges	
End of pre-existing condition limitations for all	
Limit on waiting periods	
Auto enroll	
Excise tax on high-cost coverage	

Colonial Life can help with many of these requirements.

We can:

Communicate health plan changes through:

- 1-to-1 counseling sessions
- Our enrollment system
- Other enrollment communication tools

Alleviate administrative requirements using:

- Benefit statements
- Dependent verification
- Enrollment system

Offer cost containment solutions via:

- Voluntary benefits
- Dependent verification
- Section 125

Requirements in Place — to Act On

The following requirements are already in place. They are new rules and may have a direct impact on your business or your benefits program. Some are changes that your employees should be made aware of.

Small Employer Health Insurance Credit

A tax credit is available to certain small businesses that provide health insurance to their employees. From 2010 to 2014, the value of the credit is up to 35% (if tax-exempt, 25%) of the employer's contribution.

To be eligible for the credit, the employer must:

- Have fewer than 25 full-time equivalent employees (FTEs) for the taxable year.
- Have average annual employee wages that amount to less than \$50,000 per FTE.
- Maintain a "qualifying arrangement." Under this arrangement, the employer pays the premiums for each employee enrolled in health insurance coverage offered by the employer. The premium amounts paid by the employer are equal to a uniform percentage that is not less than 50 percent of the premium cost of the coverage.

What do you need to do? Apply for the credit if you are eligible. Consult with your tax advisor for more information.

Simple Cafeteria Plan

Eligible small employers will be able to establish new FSA's, or, simple cafeteria plans. Under the new law, these plans will be considered as meeting the nondiscrimination requirements as long as the plan sponsor meets certain eligibility, participation and minimum contribution requirements. For purposes of this rule, a small employer is one that has employed 100 or fewer employees during either of the preceding two years.

What do you need to do? Consider establishing a cafeteria plan if you're eligible and don't already have one in place.

Extension of Dependent Coverage

Plans that cover dependent children must cover all children (married and unmarried) of the insured until the child reaches age 26.

What do you need to do? Ensure the coverage option is in place and that your employees are aware of it.

End of Pre-Existing Condition Limitations – Children Under 19

Health insurance companies are required to make their policies available to individuals with no pre-existing condition exclusions applied. This mandate took effect for people under age 19 for plan years beginning on or after September 28, 2010. It will apply to all individuals in 2014.

What do you need to do? Ensure your coverage complies and your employees are aware of this mandate.

W-2 Forms – Employer Reporting of Health Coverage Costs

Beginning in 2012, employers who file more than 250 W-2 forms must disclose the value of their employer-provided health benefits for each employee on the employee's annual W-2 form. The IRS will issue guidance in the future that may expand the requirement to affect more employers.

What do you need to do? Ensure you have a means to provide these cost values on your employees' W-2 forms if and when this requirement applies to you.

Summary of Benefits and Coverage Documents

Beginning with the first open enrollment period on or after September 23, 2012, health insurers and group health plans were required to provide a summary of the provisions of their plan, to applicants and enrollees, following the format specified by the U.S. Department of Health and Human Services (HHS). This requirement may be enforced with a substantial fee for each day of non-compliance.

What do you need to do? Ensure your employees receive a copy of each Summary of Benefits and Coverage, as required and appropriate.

Subsidy Eliminated

The deduction previously permitted for amounts received by an employer as a subsidy for retiree prescription drug plans was eliminated for tax years beginning after December 31, 2012.

What do you need to do? If you received this subsidy, you may incur higher tax liabilities.

Health Flexible Spending Account (FSAs) or Plan Caps

Salary reduction contributions for health FSAs are capped at \$2,500 per employee, per year for cafeteria plan years beginning on or after January 1, 2013.

Non-elective contributions are not impacted, and unused amounts carried over during a grace period are not counted toward the \$2,500 cap amount.

What do you need to do? FSA plans should have been amended to comply with the cap. Ensure that your employees are aware of this cap as they plan their expenses for the coming plan year.

Medicare Taxes

Effective January 1, 2013, a .9% increase in Medicare taxes went into effect for employees who earn more than \$200,000 and file as single and employees who earn more than \$250,000 and file jointly.

What do you need to do? You are required to withhold the additional tax for employees who fall in this category.

How Colonial Life Can Help

- Through our strategic partnership with Ameriflex, we can help our accounts establish simple cafeteria plans at no direct cost to them, as long as they maintain \$1,800 in Colonial Life premium.
- Our 1-to-1 benefits counseling sessions enable us to highlight any of the health care reform requirements for your employees. Through our discussions and web-based enrollment process, we can verify eligible dependents, note reminders of new legislation, and make employees aware of important benefit offering details.

Requirements in Place — to Confirm or Communicate

These requirements may have already been implemented by your insurance carriers and other benefit providers. However, you still need to confirm that your benefits comply, and be sure to communicate any relevant requirements to your employees.

Flexible Spending Account Changes – OTC Medications

Over-the-counter medicines and drugs are no longer eligible for reimbursement under a health FSA or Health Reimbursement Account (HRA) without a doctor's prescription. Insulin remains reimbursable.

What do you need to do? Ensure that your cafeteria plan documents provide for this requirement. Also, ensure your employees are aware of this change as they plan their expenses for the coming plan year.

Preventive Care Covered At 100 Percent

Medical insurers are required to pay for the entire cost of preventive services and cannot ask employees to share in this cost. This is designed to motivate insured individuals to receive routine preventive care and screenings, such as PAP smears, mammograms, PSA tests and colonoscopies.

What do you need to do? The current coverage you offer should comply with this requirement, which became effective for plan years beginning on or after September 23, 2010.

No More Lifetime Maximums

Health insurance plans may not impose lifetime limits on the dollar value of any essential health benefits, as established under the law. Annual limits are also restricted by regulations of the Secretary of Health and Human Services (HHS).

What do you need to do? Your benefit plans should comply with the removal of maximums for essential benefits, which became effective for plan years beginning on or after September 23, 2010.

Plans Cannot Rescind Coverage

Insurers cannot retroactively cancel or rescind coverage for insured individuals except in the case of fraud.

What do you need to do? The benefit plans you offer should comply with this condition.

Access to Provider Choice for Emergency Services

Medical insurers are to treat and charge insured individuals for emergency services received from out-of-network providers the same way they do for in-network emergency services.

What do you need to do? The benefit plans you offer should comply with this practice.

What Are “Grandfathered” Plans?

A “grandfathered” plan is one that was in existence on March 23, 2010 (the day PPACA was enacted). A grandfathered health plan is required to comply only with a subset of the group market reforms under PPACA. The benefit of maintaining grandfathered health plan status is that an employer-sponsored plan will not have to comply with some of the market reforms.

A “non-grandfathered” plan is a plan that was not in existence on the date the law was enacted OR one that loses its grandfathered status due to certain changes to the plan.

Future Requirements — to Be Prepared For

The following requirements will take effect this year through 2018. While these may not require immediate action, some may require advance preparation. We are providing this summary to help you better prepare.

2013

Written Notice of Insurance Exchanges

Employers must provide all employees and new hires with information about state health insurance exchanges. The law originally required employers to provide this notice by no later than March 1, 2013; however, the Department of Labor (DOL) delayed the effective date.

On May 8, 2013, the DOL published temporary guidance regarding this notice requirement and announced that a Model Notice to Employees of Coverage Options was available.

The release states that employers are required to provide the written notice to existing employees by October 1, 2013; and to each new employee, at the time of hire, beginning October 1, 2013.

The notice must be provided in writing and may be provided by first-class mail. In certain circumstances, employers may provide the notice electronically. The model language can be found at www.dol.gov/ebsa/healthreform.

If they wish to inform their employees earlier, employers can provide the notice prior to the required October 1 effective date.

The DOL will issue final guidance about this notice requirement later this year. Employers are not required to implement the notice early, if they want to wait for the final guidance.

What do you need to do? You will need to distribute a written Notice to Employees of Coverage Options by the required date.

2014

Coverage Mandates and the Play-or-Pay Penalty

Individuals will be required to obtain coverage under a qualified health insurance plan or pay a tax penalty, in some cases. Employers will be required to offer qualified health insurance to their employees or pay a penalty in some circumstances.

Small businesses with fewer than 50 employees will be exempt from this requirement.

Failure to Provide Coverage

- If an employer is subject to the penalty and fails to offer any full-time employee health coverage, and if any full-time employee enrolls in the exchange and receives a tax subsidy to purchase coverage, the employer is subject to a penalty equal to the number of the business’ full-time employees, minus 30, times \$2,000 per year.
- If an employer offers its employees health insurance, but that coverage does not provide a “minimum value” as required by the law, or if the coverage premium is greater than 9.5% of the employee’s household income, the employee is eligible to receive a tax subsidy to purchase coverage through the exchange. The employer must pay a penalty tax of \$3,000 per year for each of these employees.

What will you need to do? Beginning in 2014, you will be required to report whether or not you comply with the mandate, and, if you don’t comply, pay any resulting penalty.

Insurance Exchanges Available

Exchanges will create an open but highly regulated marketplace where individuals and small employers can purchase health insurance coverage through an online portal. Exchange health plans will be offered in four tiers (Platinum, Gold, Silver, Bronze) that adjust premiums according to the level of cost sharing. The exchanges are designed to:

- Use a competitive marketplace to lower health insurance premiums.
- Make health insurance benefits affordable and accessible outside the workplace.
- Make it easy to “comparison shop” online.
- Deliver insurance subsidies to low-wage workers.

What will you need to do? If you are an eligible small employer, you may use the exchanges to help your employees obtain health insurance.

End of Pre-Existing Condition Limitations for All

Health insurance companies will be required to make their policies available to all individuals with no pre-existing condition exclusions applied, effective for plan years beginning on or after January 1, 2014.

What will you need to do? Most employer-sponsored health coverage does not include pre-existing condition exclusions, but you should ensure that your plan complies.

Limit on Waiting Periods

Medical carriers that offer group coverage cannot have a waiting period for benefit plans longer than 90 days.

What will you need to do? If you currently offer coverage that has a waiting period longer than 90 days, you will need to ensure your plan is changed as needed to comply for plan years beginning on or after January 1, 2014.

Auto-Enroll

If you have more than 200 employees, you must automatically enroll all new full-time employees in one of your health plans. New employees should have the opportunity to opt out of this coverage. At this time it is unclear when implementation will begin, pending regulations to be issued by the U.S. Secretary of Labor.

What will you need to do? If this requirement applies to you when it becomes effective, you need to do several things. You need to ensure all new employees are enrolled, notify them of their option to opt-out, and then remove employees who opt out from that coverage.

2018

Excise Tax on High-Cost Coverage – The ‘Cadillac Tax’

“High-cost” health plans will be subject to an excise tax, paid by the insurance company selling the plan. Plans, or combinations of plans, are considered “high-cost” plans if the aggregate annual value of the coverage provided by an employer to an employee is greater than \$10,200 for single coverage and \$27,500 for family coverage.

Special rules apply for plans for retirees and employees in high-risk professions and multi-employer plans. This excise tax is intended to encourage employers to hold down the value of the plans they offer to employees and could possibly result in reduced medical spending.

What will you need to do? You will be required to calculate the value of the benefit plans you offer your employees and notify the insurance carriers of their pro-rata share of the tax, beginning with the 2018 tax year.

How Colonial Life Can Help

Through our 1-to-1 benefits counseling sessions, guided by our enrollment system, we can highlight any pertinent health care reform mandates for your employees and help clarify how the mandates affect them and their personal benefit situations.

How Colonial Life Can Help

With so many rules and regulations to consider, employee communications will be critical to help guide employees to the exchanges and ensure they understand the new features of their plans.

Not only will they need to understand how the exchanges will help them, they need to know about the features that will impact their health care — like caps on flexible spending accounts.

Here's how we can help with employee education and enrollment:

- We can cover all of these in our 1-to-1 benefits counseling sessions, which can be further emphasized through notes on our enrollment system.
- We can provide benefit statements to employees at each enrollment. These statements act as a natural complement to the W-2 and Cadillac Tax provisions because they outline what goes into the figure that appears on the employee's W-2.
- If we've enrolled your employees in their core benefits, we can be available to help enroll new hires and un-enroll them if needed. Our enrollment system can help streamline this process for you.

Where Can You Go for More Information?

- Your tax advisor
- Your health insurance carrier(s)
- Your Colonial Life sales representative or broker
- healthcare.gov

