

2013: Healthcare Reform Provisions

\$2,500 Limit on Employee Pre-Tax Health FSA Contributions

- Effective for plan years beginning on or after January 1, 2013
- Employers with fiscal year Health FSAs may keep higher reimbursement limits in effect through the end of their 2012-2013 plan year.
- If the employer contributes to the employee's Health FSA and the employee does not have the option to receive cash or after-tax benefits in lieu of such contribution, the employer's contribution does not count against the \$2,500 limit.

Responsibility lies with local individual Episcopal employers.

New Medicare Tax on "High Earners" (HEs)

- HEs are employees earning \$250,000 annually (married filing jointly or surviving spouses) or \$200,000 annually (single filers) (referred to as the Threshold Amount).
- HEs are required to pay an additional 3.8% Medicare tax on the lesser of (1) unearned income (e.g., interest, dividends, capital gains) for the taxable year, or (2) the excess of the HE's modified adjusted gross income for the taxable year over the Threshold Amount.
- HEs may pay this when they file their annual tax returns or through quarterly payment.

Employees should consult their own tax professionals for advice.

Employers have no obligation to withhold this tax or to notify employees.

Additional Medicare Payroll Tax on "High Earners"

- HEs are required to pay an additional 0.9% payroll tax (on top of the current Medicare payroll tax of 1.45%) on wages, tips and commissions.
- HEs are required to pay an additional 3.8% Medicare tax on the lesser of (1) unearned income (e.g., interest, dividends, capital gains) for the taxable year, or (2) the excess of the HE's modified adjusted gross income for the taxable year over the Threshold Amount.
- HEs may pay this when they file their annual tax returns or through quarterly payment.

Employers must begin withholding in the payroll period in which wages exceed \$200,000.

Employers must continue to match the base 1.45% Medicare tax but are not required to match the additional 0.9% payroll tax.

Responsibility lies with local individual Episcopal employers.

Health Insurance Marketplace Notifications

- No later than October 1, 2013, employers subject to the Fair Labor Standards Act must provide employees with notice of the Health Insurance Marketplace (also known as exchanges) created by the Patient Protection and Affordable Care Act (ACA). New employees hired after October 1, 2013 must receive the notice within 14 days from their date of hire.
- The Department of Labor (DOL) has prepared Model Notices to assist employers in notifying employees.
- The DOL recently announced that employers will not be penalized for failing to provide the notice to its employees.
- Additional information developed by The Episcopal Church Medical Trust (Medical Trust) for Episcopal employers, including access to DOL's Model Notices, is available on the Healthcare Reform pages in the Administrators section of www.cpg.org: www.cpg.org/administrators/insurance/health-andwellness/health-care-reform/

Responsibility lies with local individual Episcopal employers.

2014: Healthcare Reform Provisions

Employer-Shared Responsibility

- Large employers must offer adequate and affordable health coverage to all full-time employees and their dependents or pay a penalty.
- This is a penalty, not a tax, and applies to non-profit entities.
- A “large employer” is defined as having 50 or more full-time employees or full-time equivalent employees (FTEs).

The IRS announced a delay of this provision until 2015.

Employer Certification to IRS

- Applies to large employers (those with 50 or more FTEs).
- Employers must certify that health coverage offered to employees meets “minimum essential coverage” requirements.

The IRS announced a delay of this provision until 2015.

Health Insurance Marketplace (also known exchanges)

- All states will have a Marketplace, run either by the state, by the state in partnership with other states, or by the federal government.
- The Marketplace will provide plans that meet certain standards, and will calculate the cost of coverage after premium tax credits are applied, if applicable.
- Under current law, the Medical Trust cannot offer its plans on a Marketplace.

Responsibility lies with the states or federal government. Individuals required to participate in the Denominational Health Plan may not purchase coverage in the Marketplace unless they are eligible for a premium tax credit and execute a Medical Benefits Waiver form.

Individual Shared Responsibility

- Each individual U.S. citizen and legal resident must maintain minimum essential health coverage for each month, qualify for an exemption, or make a penalty payment when filing a federal income tax return.
- The penalty is not assessed on gaps in coverage of three months or less, and increases each year from 2014 to 2016, and then increases annually by a cost-of-living adjustment. Other exceptions apply.

Responsibility lies with individuals.

Premium Tax Credits

- Individuals who purchase coverage through the Health Insurance Marketplace, who have household income between 100% and 400% of the federal poverty level and are not provided with affordable employer-provided coverage, may be eligible for a premium tax credit. The employer’s coverage is not affordable if the employee’s share of the monthly premium for single coverage exceeds 9.5% of the employee’s household income.
- Most individuals enrolled in a Medical Trust plan will not be eligible for the premium tax credit due to a combination of household income and the required employee contribution.
- An employee who is eligible for or enrolled in a Medical Trust plan who is eligible for a Premium Tax Credit for coverage purchased through the Marketplace must complete a Medical Benefits Waiver form before purchasing coverage through the Marketplace.

The IRS announced a delay of this provision until 2015.

2014: Healthcare Reform Provisions (continued)

Plans Required to Cover Certain Approved Clinical Trials

Medical Trust plans will be in compliance.

No Pre-Existing Condition Exclusion Regardless of Age

Medical Trust plans are already in compliance.

Complete Prohibition of Annual Dollar Limits

Medical Trust plans are already in compliance.

Increase Permitted for Wellness Incentives

- In 2014, employers offering health contingent wellness programs may offer employees up to a 30% premium reduction for participating in the program (up to a 50% premium reduction for no tobacco use).
- Wellness programs must meet certain other criteria to be eligible for exceptions to the rules on discrimination based on a health factor.
- See Incentives for Nondiscriminatory Wellness Programs in Group Health Plans for more information: www.dol.gov/ebsa/pdf/workplacewellnessstudyfinalrule.pdf.

Responsibility lies with local individual Episcopal employers.

Please note that this update is provided to you for informational purposes only and should not be viewed as investment, tax, legal or other advice. Please consult your own professional advisors for further guidance.