THE AFFORDABLE CARE ACT

Cadillac Tax, Reporting Requirements
And Other Updates

Presented By: Marc A. Fishel
of Fishel Hass Kim Albrecht LLP
WHAT IS THE EXCISE (CADILLAC) TAX?

• **2018 thresholds:**
  – $10,200 - Single Plan ($850/month)
  – $27,500 - Family Plan ($2,292/month)

• **Amount includes:**
  – Employer paid premiums.
  – Employee paid premiums.
  – Employer contributions to HSAs and FSAs.
  – Self-Insured Dental and Vision may count.

***Still no final guidance on what is included.
HIGH RISK PROFESSIONS

• Employees in high risk professions have higher threshold.
  – $11,850.
  – $30,950.
  – Law enforcement, Fire Protection, EMS.

• Must be a majority of employees to use the higher threshold.
  – County is the employer for the ACA.
For 2019 and 2020, threshold is tied to CPI plus 1%.

Beginning in 2021 threshold increases by CPI.

Thresholds will be adjusted up if premiums for the Blue Cross Blue Shield Standard Federal Employee Health Benefit experience premium growth of more than 55% from 2010-2018.

— Does not appear trending more than 55%.
EXCISE TAX ISSUES

• Will it be delayed?
  – Will it be repealed?

• IRS has not issued proposed regulations regarding the tax yet, but have issued Notices seeking comment

• Can the tax be passed on to employees?
IRS Notice 2015-16

• Issued Feb. 23, 2015, comment period ending May 15, 2015

• Invited comment on the following issues:
  • Definition of applicable coverage
  • Determination of the cost of applicable coverage
  • Application of the dollar limit to the cost of applicable coverage to determine any excess benefit subject to the excise tax
IRS Notice 2015-52

- Issued July 30, 2015, comment period ending October 1, 2015
- Explains possible approaches the IRS is considering for administering the tax.
- Issues:
  - Who is liable to pay the excise tax?
  - Employer aggregation
  - Taxable Period for Cadillac Tax
  - Adjustments to dollar limits based on Age and Gender demographic of employer
ACA REPORTING REQUIREMENTS

• Every person providing minimum essential coverage to individuals must provide certain information.
• Reported on form 1094-C and/or 1095-C.
• Requirement begins in 2015.
PURPOSE OF REPORTING

• Verifies that minimum essential coverage was offered.
• Verifies that employee accepted or denied coverage.
• IRS will use the information to administer the employer responsibility provisions and premium tax credits.
• Every provider of minimum essential coverage will report coverage information by filing an information return with IRS and statement to individuals.
  – Information includes the type and period of health insurance coverage.
  – Will be used to administer ACA individual mandate.
WHO IS A PROVIDER

• Health insurance issuers or carriers for insured coverage.

• Plan sponsors of self-insured group health plan coverage.
  – Self-insured group health plans maintained by more than one employer- Each employer must report.
  – Plan sponsor- Who maintains and participates in the self-funded plan.
INFORMATION REQUIRED

• Contact information about entity providing coverage.
• Which individuals are enrolled in coverage.
• Identifying information about the individuals.
• The month each individual was covered.
26 U.S.C.A. SECTION 6056

• Requires applicable large employers to file information returns with the IRS and provide statements to their full-time employees about the health insurance coverage the employer offered.

• The IRS will use the information that employers report under this section to verify employer-sponsored coverage and administer the ACA’s shared responsibility provisions for large employers.
INFORMATION REQUIRED

— Info about the employer offering coverage:
  • Contact information.
  • Number of full-time employees.
— For each employee:
  • Information about the coverage offered to the employee by month.
  • Must report the lowest employee cost of self-only coverage offered.

• Large employers are also required to provide each full-time employee with a written statement that includes information relating to that employee (+ dependents) that is required to be reported on the IRS Return.
Large employers are required to provide information to the IRS regarding the terms and conditions of health plan coverage offered to their full time employees.
IRS FORM 1095-C

• Information required by the form:
  – Employer Identification Number ("EIN");
  – Taxpayer Identification Number;
  – Addresses;
  – Employee’s full-time status;
  – Length of time of the employee’s full-time status;
  – Proof of MEC offered;
  – Coverage dates; and
  – Employees’ share of coverage premium costs.
IRS FORMS

• Large employers that provide MEC on a self-insured basis can file a combined return under § 6055 and § 6056 on Form 1095-C.

• Large employers who provide coverage through an insurance plan will leave information required by § 6055 blank.

• Fines of up to $100 per day.

• Deadlines:
  • February 29, 2016 for paper filing.
  • March 31, 2016 for electronic filing.
Counties with Self-Insured and Fully Funded Agencies

- No clear answer on who is responsible for Form 1095- no guidance has been issued for government entities regarding this
- Aggregation rules
  - Assume each applicable large employer member have their own EIN number.
  - County Agencies/Departments do not have separate EINs.
- No penalties if incorrect or incomplete returns are filed or furnished to employees in 2016 for coverage offered in 2015 so long as employer had a good faith effort to comply with reporting requirements.
## Measurement Periods

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<thead>
<tr>
<th>Standard Measurement Period</th>
<th>Standard Administrative Period</th>
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<tbody>
<tr>
<td>No shorter than 3 months</td>
<td>Starts right after the last day of the measurement period</td>
</tr>
<tr>
<td>No longer than 12 months</td>
<td>Cannot be longer than 90 days</td>
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<tr>
<th>Standard Stability Period</th>
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<tbody>
<tr>
<td>Starts right after the last day of the administrative period</td>
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<tr>
<td>For employees determined to be full-time: cannot be shorter than the longer of: six (6) calendar months or the standard measurement period.</td>
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<tr>
<td>For employees determined to be part-time: cannot be longer than the standard measurement period.</td>
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Penalties under the Employer Mandate

• 2 Types of Penalties:
  1. Fail to offer health insurance to all full-time employees.
  2. Offer health insurance to all full-time employees, but the insurance is not adequate or affordable
IF YOU HAVE ANY QUESTIONS, PLEASE ASK!!

THANK YOU!

Marc A. Fishel
Fishel Hass Kim Albrecht LLP
400 S. Fifth Street, Suite 200
Columbus, Ohio 43215
www.fishelhass.com