

Newly Passed Health Care Laws How They Affect Employers & Employees

The Health Care and Education Reconciliation Act recently became effective. Certain of its provisions became active upon enactment. These key provisions which impact employers and health plans are as follows:

EMPLOYERS:

- **Effective 2010:**

- **Tax credit for small employers**, of no more than 25 employees, becomes available for employers who pay at least 50% of the employee's health insurance expenses.
 - Employers with 10 or fewer full time equivalent employees (FTEs) and an average annual per-employee wage of \$25,000 or less are eligible for the full credit.
 - The credit amount phases out for employers with either 11 FTEs or an average annual per employee wage of more than \$25,000. The credit is phased out completely for employers with 25 or more FTEs or an average annual per employee wage of \$50,000 or more.
 - The credit amount is 35% of certain contributions made to purchase health insurance which the employer has paid on behalf of the employee. This rate will increase to 50% in 2014.
 - The credit will apply against the employer's income tax, not employment taxes and will be processed using form 8941.
 - Note that any premium paid pursuant to a salary reduction arrangement under a section 125 cafeteria plan is not treated as paid by the employer.
- **Employers with more than 200 full-time employees** and that have one or more health plans must automatically enroll new full time employees in one of the offered plans. Notice and opportunity to opt out must be provided.

- **Effective 2011:**

- **Employers must report on each employee's Form W-2** the cost of employer-sponsored health insurance they provided.
- Small employers (average of 100 or fewer employees in either of the two preceding years) may establish "simple cafeteria plans."

- **Effective 2014:**

- Employers who had an average of at least 50 FTEs during the preceding calendar year, will be required to offer health coverage.
- Employers that offer minimum essential coverage and pay any portion of the costs must provide free choice vouchers to certain low-income employees.

- **Effective 2017:**

- Employers that offer high cost employer sponsored coverage are liable for an excise tax as coverage providers.

OTHER PROVISIONS:

- Self employed individuals may deduct health insurance premiums paid on behalf of children under the age of 27.
- Insurers and group plans that offer dependent coverage are required to allow uninsured children to remain on their parent's health insurance through age 25.
- Small and large group plans are prohibited from imposing lifetime limits.
- Plans must provide coverage without cost sharing for preventive services and immunizations.
- Insurance companies are prohibited from rescinding coverage except in cases of fraud.
- No discrimination based on the wages of employees.
- All plans are prohibited from excluding children under age 19 on the basis of pre-existing conditions.
- Qualified retirement plans may pay health benefits for a retiree's child under age 27.
- Employer health plans providing coverage to early retirees have access to reinsurance. Program terminates January 1, 2014.
- the plan sponsor or administrator is responsible for providing a uniform summary of benefits and coverage explanations to applicants, enrollees, policyholders and certificate holders.
- Starting in 2011, health flexible spending accounts, health reimbursement arrangements, health savings accounts (HSAs) and Archer medical savings accounts (MSAs) may reimburse for medications that are prescribed drugs or insulin only.
- Starting in 2011, the tax on distributions from an HAS or Archer MSA that are not used for qualified medical expenses is raised to 20%.
- Effective for payments made after 2011, information reporting requirements for those payers of payments in excess of \$600, will expand to any corporation other than those except under 501(a).
- Starting December 31, 2013, health plans must file first statements certifying compliance.

As more details regarding the Health Care Act are evident, we will add further information to this memo on our web-site. Please review for periodic updates at www.FVCPAs.com/News_Events



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