

Health Reform Update

2013 - 2014



2013 is here and with it will bring changes to the health care industry due to the Healthcare Reform Act. It is important to us that we keep our clients updated with the most current information as it may have a direct effect on you and your employees. Below we've highlighted the changes that are scheduled to take place in 2013 for your review. Some of the items noted below are pending definitions/regulatory guidance from the Department of Labor, so they may or may not be implemented at the noted effective date. We will keep you apprised as updated information is made available. Please feel free to contact us for further information and/or discussion of these items.

January 1, 2013:

1. W2 Reporting of Employer-Sponsored Health Coverage Costs

- a. Voluntary for employers who issued fewer than 250 W2s in 2012 (continuation from 2012)
- b. Required for employers who issued 250 or more W2s in 2012 (continuation from 2012)
- c. Amount reported should include both the portion paid by the employer and the portion paid by the employee
- d. Will be reported in Box 12 with Code DD to identify the amount
- e. The amounts are not taxable and are being used for informational purposes only
- f. Premiums for dental and vision plans not integrated into the medical/health plan, are not required to be included

2. Health care FSA (Flexible Spending Accounts) contributions limited to \$2,500

- a. The maximum pre-tax amount an employee can elect to contribute each year to an FSA is \$2,500 (prior years had no mandated limit)
 - i. Dependent care FSAs are not subject to the new \$2,500 limit (remains at the \$5,000 annual maximum per household)

3. Increased Medicare health insurance tax withholding for high-income individuals

- a. The Medicare tax rate will increase from 1.45% to 2.35% on wages over \$200,000
 - i. An individual may owe more than the amount withheld by the employer, depending on the individual's filing status, wages, compensation, and self-employment income. In that case, the individual should make estimated tax payments and/or request additional income tax withholding using Form W-4, Employee's Withholding Allowance Certificate
- b. Employers should begin withholding the additional tax in the pay period in which it pays wages in excess of \$200,000 to an employee

March 1, 2013:

1. Employee health insurance exchange notices

- a. Employers must provide notices to all employees regarding new health insurance exchanges which are supposed to be available in 2014, however the Department of Labor has not yet issued regulations for implementing this requirement - pending further notification/information

July 1, 2013:

1. Patient-Centered Outcomes Research Fee: \$1 per enrollee per year paid for by the insurance companies

- a. Promotes research to evaluate and compare health outcomes and the clinical effectiveness, risks and benefits of medical treatments, services, procedures, drugs and other strategies that treat, manage, diagnose, or prevent illness or injury

Looking forward to 2014:

- › Healthcare Exchanges up and running
- › Non-Discrimination regarding Highly Compensated Employees - was supposed to be implemented back in 2011 however was delayed and is still pending release of regulations and/or administration guidance
- › No exclusions for individuals with pre-existing conditions
- › Subsidies for individuals (if they qualify) to help offset cost of enrolling in an Exchange plan
- › Large group (50 or more full-time/full-time equivalent employees) pay penalties if they do not offer minimal and affordable health coverage to employees & family members
 - Pending definition/determination of what constitutes "minimal coverage" from the Department of Labor
 - Affordable coverage defined as employer paying at least 60% of the allowed cost (not yet defined) or the employee's required contribution does not exceed 9.5% of their household income
- › Increase in the Small Business Tax Credit for companies providing health benefits to their employees (currently, a tax credit of up to 35% of premiums paid is available if you qualify, this will increase to a credit up to 50%)
 - To see if your company currently qualifies for the Small Business Tax Credit, go to <http://www.irs.gov/pub/irs-pdf/i8941.pdf> to see if you qualify for the credit and if so, for instructions on how to file for it. To download the form go to <http://www.irs.gov/pub/irs-pdf/f8941.pdf>

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