

The Patient Protection and Affordable Care Act (PPACA) – Important Dates & Timelines

1. Changes for plans years beginning on or after **9/23/2010**:
 - Coverage extended for dependent children to age 26.
 - Group plans will be required to cover adult children until the age of 26.
 - Eligible dependent children NOT currently enrolled will be permitted to enroll in their parent's plan on the plan's open enrollment.
 - Employers should notify participants of their plan's new adult child eligibility definition and special enrollment opportunity.
 - Carriers are permitting children currently enrolled who "age-out" between now and the plan's open enrollment after 9/23/2010 to remain covered.
 - First dollar coverage for preventive care.
 - No lifetime limits on essential benefits.
 - Essential benefits have not yet been defined by HHS.
 - ***Nondiscrimination rules – The IRS announced in December of 2010 that enforcement of this provision would be delayed until the release of further guidance. The IRS has not issued additional guidance as of this update (June 2011).***
 - Employers with more than 200 employees must automatically enroll all full-time employees as soon as they are eligible for coverage. Employees may opt out.
 - Waiting for HHS guidance on implementation details.
2. Changes beginning **1/1/2011**:
 - OTC drugs no longer eligible under Flexible Spending Arrangements unless prescribed.
 - Employers should notify participants of OTC change.
 - All individual, small group and large group health plans are subject to medical loss ratio (MLR) requirements. Individual and small employer group insurers must adhere to an 80% MLR and large group insurers must adhere to an 85% MLR. Self-insured plans are exempt from this requirement.
 - ***Employers must report the value of benefits on Form W2. – On March 31, 2011, the IRS issued guidance for employers as to how this requirement was to be carried out by employers. This guidance also specifies that for smaller employers (those filing fewer than 250 W-2 forms) this requirement remains optional for them at least for 2012 (i.e., for 2012 Forms W-2 that would generally be furnished to employees in January 2013). Beyond 2012, the treatment for smaller employers is currently unknown.***
 - Penalty increased for non-qualified HSA withdrawals from 10% to 20%.
3. Changes beginning **3/23/2012**:
 - Employers must provide a summary of benefits and a coverage explanation to all participants at the time of enrollment and each year during open enrollment.
 - Must be no more than 4 pages, a minimum of 12-point font and should be written in a manner that is easy for the average participant to understand.
 - HHS will provide model notices in advance of requirement.
4. Changes beginning **1/1/2013**:
 - Medicare taxes increase for high-earners.
 - .9% increase in Medicare taxes on wages in excess of \$200,000 for single individuals and \$250,000 for joint filers.

- 3.8% “unearned income” Medicare tax imposed on same individuals.
 - FSA plan contribution maximum capped at \$2,500
 - Employers must provide new and existing employees with information about the health Exchange, such as information on eligibility for coverage under the Exchange, including free-choice vouchers and premium subsidies.
 - Threshold for claiming itemized medical expense deductions increases from 7.5% of AGI to 10%.
5. Changes beginning **1/1/2014**:
- State-based Exchanges begin.
 - Penalties for individuals with no coverage begin.
 - Penalties for employers begin.
 - Employer free-choice vouchers.
 - 90-day limit on employer waiting periods.
 - Employer IRS reporting certification begins.

Penalty for Employers NOT offering coverage

- Beginning in 2014, “large” employers that employed an average of 50 full-time equivalent employees during the previous calendar year must offer health coverage that meets “minimum essential” coverage requirements or pay a penalty.
- The penalty is \$2,000 per full-time employee after exempting the first 30 full-time employees.
- A full-time employee is defined as someone who is employed, on average, at least 30 hours per week.
 - Seasonal workers are not considered full-time and are not considered full-time equivalent workers if they work 120 or fewer days during the calendar year.
 - Part-time employees are counted as “full-time equivalent” to determine “large” employer status.
 - No penalty is paid for part-time employees
 - To calculate full-time equivalent:
 - Divide the total number of hours worked by the non-full-time employees during the month by 120.
- **Example:**
 - You employ:
 - 48 full-time employees, and
 - 13 part-time employees who work 20 hours a week, and
 - 3 part-time employees who work 10 hours per week.
 - In 2014:
 - The 13 part-time, 20 hr/week employees work for a total of 240 hours/month.
 - The 3 part-time, 10 hr/week employees work for a total of 120 hours/month.
 - Therefore, the total aggregate hours worked by the non-full-time employees is 360.
 - The total aggregate hours of non-full-time employees, 360, is then divided by 120 to arrive at the number of full-time equivalent employees which is 3.

- You have 3 full-time equivalent employees plus 48 full-time employees for a total of 51 full-time equivalent employees – which means you are considered a “large” employer and are subject to the law’s mandate to provide coverage.
- If you do not provide coverage and at least 1 employee obtains coverage through an Exchange with a subsidy, you pay an excise tax equal to the number of full-time employees over a 30-employee threshold. Your penalty would be \$36,000 in this example:

$$\begin{array}{r} 48 \text{ full-time employees (part-time not included in penalty)} \\ -30 \text{ first 30 are exempt from penalty} \\ \hline 18 \times \$2,000 = \$36,000 \end{array}$$