Pike & Preston

Employee Benefits | Health | Life | Disability

The Power of Partnership

July 2013

We are pleased to announce The Pike & Preston Minute. We will be sending e-mails to clients and friends to update you on information about healthcare reform and other happenings in the Employee Benefits arena.

Healthcare Reform: Where are we?

The Patient Protection and Affordable Care Act (PPACA) was signed into law on March 23, 2010. This law significantly changes the way health insurance is sold, purchased and delivered in the United States. Due to the vast reaches of the law, its implementation is spread over many years. The following are some key provisions that affect employees and employers:

- Increasing dependent child age limits and removing pre-ex condition limitations on children up to age 19;
- Increased preventive care at no cost on non-grandfathered plans;
- Individual Mandate to have insurance or pay a penalty;
- Employers with 50 or more full-time equivalent employees will be required to provide affordable insurance to their full-time employees or pay a penalty;
- Creation of insurance exchanges to help individuals and small employers purchase insurance;
- The individual exchange will provide subsidies to make insurance affordable to people with incomes up to 400% of poverty level;
- Changes in how plan information must be communicated so that comparison of plans is easier;
- Changes in insurance company Loss Ratios and rebates to employers and consumers.

There are many more provisions and we will delve into them each month.

In This Issue

Quick Links

Anthem Making Healthcare Reform Work

Humana's Healthcare Reform Resources

United Healthcare on Reform

Kaiser Family Foundation on Health Reform

Center for Consumer Information and Insurance Oversight

Healthcare.gov

KY Department of Insurance

KYNECT Health Benefit Exchange

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The Hagyard Challenge Series

Medical Loss Ratio Rebates...

Just like last year, insurance companies are required to determine if the premiums charged and expenses incurred met the mandated Medical Loss Ratio (MLR). For small groups, insurance companies had to spend 80% or more toward claims costs, administration and quality improvements; meaning the MLR is 20%. For large groups the MLR is 15% (85% must be used for claims and admin costs).

- For Kentucky, Humana is in the process of mailing MLR rebate checks for coverage year 2012 to employers in both the small and large category for fully-insured plans.
- Anthem, Bluegrass Family Health and United Healthcare in Kentucky all met the MLR requirements for coverage year 2012.
- Employers will have to calculate the amount of premium each participant paid in 2012 and then apply that percentage to the rebate to determine the participant's portion of the rebate.
- Employers may discharge the participants' portion by issuing a check to each participant (this is a taxable event) or they may deduct the participant portion from current healthcare premium deductions (a negative deduction). If deductions for premiums are taken on a pre-tax basis then the refund of rebate on a pre-tax basis would be appropriate.
- Rebates for participants who are no longer participating in the plan may be equally divided among the remaining participants or they will have to be mailed to the terminated participants and this would create a taxable event.
- Rebates must be distributed by the insurance companies by August 1st each year. Employers have three months from receipt of the MLR rebate in which to distribute participant portions.
- Please refer to DOL Technical Release 2011-04 or your accountant/CPA for additional information.

Employer Mandate...

July 2, 2013, the Department of Treasury announced the delay in the penalty portion of the employer mandate for large employers. Large employers will now have until the plan renewal on or directly following January 1, 2015 to comply with offering affordable, mandated coverage and for the additional reporting requirements.

This delay does not affect many of the other 2014 benefit change requirements, small employers or the individual mandate.

The following Insurance Market Reforms are still required effective January 1, 2014, or the first renewal following that date:

Please join us for a wonderful free family evening of Grand Prix jumping. See riders and horses from all over the world participate in Challenge Series.

Upcoming Dates:

July 25th
August 1st
August 16th
August 23rd
and
September 20th

All events are held in the evening (usually starting around 7:00 pm).

Guests can partake of free drinks and food. Please RSVP to rgall@pikeandpreston.com if you would like to join us.

- Limit of no more than a 90 day new employee waiting period.
- Prohibition of annual and lifetime benefit maximum limits.
- ACA Mandated preventive care must be covered in-network at no patient cost.
- Elimination of pre-existing condition limitations.
- Minimum Essential Coverage.
- Out-of-Pocket Maximum caps.

These Insurance Market Reforms will be discussed in much greater detail in following issues.

W-2 Health Coverage Value Reporting

Employers who issue 250 or more W-2 statements annually are required to report the total value of group health coverage provided to an employee on the employee's W-2 form starting for coverage year 2012 (distributed in early 2013).

This provision does not presently apply to employers who issue less than 250 W-2 statements annually.

Employers will report the full premium cost paid by the employer and the employee in Box 12, under Code DD. Reporting this information on the W-2 does not mean that employees will have to begin paying taxes on that value, the intent of this provision is for employees to have a better understanding of cost of coverage and the role benefits play in their overall compensation.

If required to report this information, be sure to explain to your employees that they are not being taxed on their benefits' value.

Employers must report premium costs for medical plans, Medicare supplement policies, separate prescription drug plans, dental and vision coverage that is part of the group health plan, hospital indemnity, critical illness, and cancer or other specified-disease insurance if the employer contributes to the plan or the plan is offered on a pre-tax basis through a Section 125 cafeteria plan.

Flexible Spending Accounts Limitation

Effective January 1, 2013, the pre-tax contributions that employees can make to an FSA account under an employer's cafeteria plan is limited to $2,500. Future year contribution limits will be indexed for inflation.

If you offer employees a medical FSA account, you will need to have your plan amended and will need to

notify your employees of this change. We will be working with the FSA plan administrators to make sure all plans are amended.

We hope this edition of The Pike & Preston Minute has been helpful. Future editions will include information on the following topics: Medicare taxes for high-income employees, Health Insurance Exchange and premium credit Notification, new PPACA fees, essential health benefits, limits on deductibles and out-of-pocket expenses, waiting period rule, individual mandate, health insurance exchanges, "pay or play" and many more topics. Please let us know if you have a topic you would like discussed or if you would like to schedule a meeting to discuss these or any other topics.

Sincerely,

Robin C. Gall
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