PIBT | PRINTING INDUSTRIES BENEFIT TRUST

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PPACA COMPLIANCE – An employer guide

The background…

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (PPACA), creating the system commonly referred to as “Obamacare.” This created “mandates” which have been included in health insurance coverages, most notably the coverage of adult children to age 26 and preventative health care for women. On January 1, 2014 a major change will occur including requirements that employers with more than fifty employees provide health coverage or pay a penalty and that individuals without health coverage obtain it for themselves or pay a penalty. At the same date, Public Exchanges set up by the states (like California) or by the federal government (like Georgia) will come into operation to provide a resource for individuals to purchase coverage if they wish. Individuals may also be entitled to a subsidy depending on their income level unless their employer provides compliant coverage. Employers may purchase coverage through a “Private Exchange.”

Note: Where employee counts are referred to they are Full time Equivalents (FTEs) which take into account part-time employees following a detailed formula. Individual employee coverage requirements apply to persons employed for thirty or more hours a week.

Less than fifty employees…

For employers of less than fifty employees, there is no requirement for an employer to provide health insurance coverage for its employees—just as has always been the case. Most employers do provide it (with varying amounts of required employee contribution) because it is a generally expected part of employee compensation and therefore maintains the employer’s ability to attract the people needed for the business.

Where employers now provide coverage, it will usually meet the PPACA standards for adequacy and affordability. If they do, employees may go to the Public Exchange instead, but they will not qualify for the subsidy. If they still find it to their advantage to obtain coverage from the Public Exchange, they may be excluded from employer health coverage.

Finally, the other commonly offered coverages for life, dental, vision, etc. are not covered by PPACA and are thus completely outside of these rules. PIBT will continue to offer these on a unified basis and employers may continue their past practice on their funding.

Information for employers of fifty or more employees is on the reverse

Fifty or more employees…

For employers of fifty or more employees, there is an obligation beginning January 1, 2014 to provide health insurance that is "adequate" and "affordable." If such an employer fails to do so, they must pay an annual penalty to the federal government of $2,000 (more in later years) for all employees in excess of thirty.

For a plan to be "adequate," its benefits must be actuarially equivalent to at least 60% of the full cost of medical expenses (a "bronze" plan in PPACA terms). All of the plans that will be offered by PIBT will be "adequate" under the PPACA standards. For a plan to be "affordable," an employee may not be asked to pay more than 9.5% of their W-2 income for their own coverage. However, they may be required to pay for the entire cost of dependent coverage.

If an employer only offered a plan that did not meet both the adequacy and affordability standards and an employee obtained coverage from the Public Exchange instead, the employer would have to pay a PPACA penalty of $3,000 per year for that employee.

As a practical matter, employers must offer a 60% plan ("bronze") and should also offer several other choices with varying levels of benefits, so that employees may choose the solution that best fits their needs. The employer must decide what the employee contribution for their health insurance coverage will be. It is likely that it would be administratively simpler and more understandable if this was stated as a dollar amount per pay period, e.g. $30 per week. Of course, this amount must not violate the 9.5% of W-2 standard. If the employee chose a plan that cost more than the 60% plan or wished dependent coverage, they could be required to pay the difference over 9.5% (or its dollar alternative) using a tax efficient process (a 125 cafeteria plan). As these are minimum requirements under PPACA, an employer might assume a greater proportion of the cost (just as now).

Where employers provide adequate and affordable coverage, employees may go to the Public Exchange instead, but they will not qualify for the subsidy. If they still find it to their advantage to obtain coverage from the Public Exchange, they may be excluded from employer health coverage.

Also, it is important to remember that while it may be tempting to pay the $2,000 penalty and drop health insurance coverage, the fact that the penalty is non-deductible and that the net after-tax cost of compliant coverage is so low makes that a bad decision on economic grounds before even considering the morale and competitiveness issues.

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For information or questions call Bob Lindgren at (323) 728-9500 Ext. 214 (bob@piasc.org)