August 24, 2017

Health Insurance Legislative Update

Presented by Benefit Comply
Health Insurance Legislative Update

- Welcome! We will begin at 3 p.m. Eastern

- There will be no sound until we begin the webinar. When we begin, you can listen to the audio portion through your computer speakers or by calling into the phone conference number provided in your confirmation email.

- You will be able to submit questions during the webinar by using the “Questions” box located on your webinar control panel.

- Slides can be printed from the webinar control panel – expand the “Handouts” section and click the file to download.
Health Insurance Legislative Update

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- Seacrest Partners
- Starkweather & Shepley Insurance Brokerage
- Woodruff-Sawyer & Co.
- Wortham Insurance & Risk Management

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2017 Congressional Activity Year To Date

- March 8th – House Introduced American Health Care Act (AHCA)
  - May 4th - House passed AHCA
- June 22nd – Senate Released Better Care Reconciliation Act (BCRA)
  - Both Bills
    - Repealed the ACA’s individual and employer mandate penalties
    - Eliminated ACA Medicaid expansion funding and imposed a cap on federal Medicaid spending
    - Provided states flexibility to change essential health benefits requirements
    - Repealed most ACA-related taxes
    - Expanded HSAs
  - AHCA
    - Included smaller premium tax credits based on age
  - BCRA
    - Tax credits took into account age, income, and the cost of coverage
    - Additional flexibility for states to change Exchanges, subsidies, and other rules
    - Allowed small employer groups to set up association health plans
    - Allowed insurers to impose a 6-month waiting period for applicants with a gap in coverage
2017 Congressional Activity Year To Date

- June – Congressional Budget Office (CBO) report
  - Estimated 15 million Americans would lose coverage by 2018, and 22 million by 2026, mostly due to Medicaid cuts
  - Predicted premiums would rise in the short term, then eventually reduce, primarily due to availability of plans with higher out of pocket costs
- July 19th – Republicans Introduced Obamacare Repeal Reconciliation Act (ORRA)
  - Reissued version of a bill that passed Congress in 2015 and was vetoed by President Obama
  - CBO scored the ORRA; 32 million uninsured by 2026, and collapse of the individual market with only 25% of Americans with access to an individual market plan by 2026
- July 25th – Motion to Begin Debate on ACA Repeal and Replace Passed 51-50 with VP Pence Casting Tie Breaking Vote
  - BCRA with amendments failed 57–43, with nine Republicans voting against moving the BRCA forward
  - Senate next voted on ORRA, which was defeated July 26th by a 55–45 vote
- July 27th – Republicans Introduced the Health Care Freedom Act (HCFA), Referred to as the “Skinny” Bill
  - Repealed ACA’s individual mandate, delayed the employer mandate until 2024, delayed the medical device tax, defunded Planned Parenthood for a year, and expanded flexibility for states under §1332
  - If passed, Senate and House would have to reconcile significant differences between HCFA and AHCA
  - Bill failed 51-49 with Republican Senators Collins, Murkowski, and McCain voting with all Democrats against it
Current Discussions

• §1332 State Waivers
  • Several proposals providing additional flexibility for states to request waivers from various ACA requirements (e.g. essential health benefits)

• Cadillac Tax
  • Possible further delay or elimination
  • Possible alternatives, limit on tax exclusion for employee benefits

• Employer Mandate
  • Possible threshold change or elimination
Current Discussions

• Funding for Cost-Sharing Reductions (CSRs)
  • Background
    • Eligible individuals who purchase health insurance through a public Marketplace (Exchange) may qualify for two types of assistance:
      • Premium credits to help cover some of the cost of the plan are available to individuals with incomes less than 400% of FPL
      • CSRs (reductions to copays and deductibles) are available to individuals with incomes less than 300% of FPL
        • Insurance companies must administer plans with the required reductions to copays and deductibles, and are then reimbursed by the Federal Government to cover the increased costs
Current Discussions

• Funding for Cost-Sharing Reductions (CSRs)
  • Trump administration has not decided if CSR payments will be made for 2018 (payments have only been promised through August 2017)
    • Health insurers offering qualified health plans through the Marketplaces must file their rates for 2018 by September 6, 2017
  • Impact of no CSR payments
    • Individual health insurance premiums expected to go up an additional 20%
    • More carriers could choose not to participate in the public Marketplace in 2018
      • CBO estimates that 5% of Americans would live in counties with no health insurance companies offering individual coverage
Current Discussions

• Other Efforts in Congress
  • Bipartisan efforts to address CSR funding may provide a legislative path for addressing other items with more support (e.g. Cadillac Tax, Employer Mandate)
  • House Problem Solver’s Caucus
    • Group of approximately 40 Republicans and Democrats who have been collaborating on ACA (“Obamacare”) fixes
      • Led by Tom Reed (R-NY) and Josh Gottheimer (D-NJ)
  • Possible changes
    • Stabilize individual markets in the public Exchanges/Marketplaces
    • Address funding of cost-sharing reduction subsidies (CSRs)
    • Change employer mandate to apply to employers with >500 employees
    • Create a federal stability fund to help states reduce healthcare costs for those with extremely high medical charges
    • Eliminate the medical-device tax
    • Provide greater flexibility for state innovation with stricter guidance on how states can use waivers
Regulatory Changes

• §1557 Requirements – Transgender Coverage
  • Covered entities are required to offer coverage for transgender services as well as comply with certain notice requirements and grievance appeal procedures
    • Covered entities include those who are involved in providing or administering health services or activities and receive federal funding
  • National injunction issued in Dec. 2016 by a Federal District Court in Texas delayed enforcement of the requirement to offer transgender services
    • Issue was remanded to HHS for consideration, and HHS has promised a proposed rule on the topic soon
Tax Exclusion Limit

• Background
  • Current federal tax system provides preferential treatment for employer provided health insurance - employers’ payments for employees’ health insurance premiums are excluded from income and payroll taxes
  • Cost the federal government about $275 billion in lost revenues in 2016

• Recent Proposals to Limit Tax Exclusion
  • McCain Proposal in 2008 Presidential race
  • 2010 Republican Patient Choice Act (Single - $12,000/yr. Family - $30,000/yr.)
  • 2015 HR 3762 (Single - $8,000/yr. Family - $20,000/yr.)

• 2017 Leaked AHCA Draft
  • Would have limited tax exclusion to 90% of national average health insurance premiums
  • Was not included in final draft of AHCA
Tax Exclusion Limit

- Tax Exclusion Limit Context
  - U.S. average annual family health insurance premium in 2015 was $17,322
    - Based on the CBO estimates, 90% = approximately $12,300 single & $33,200 family
  - Devil is in the details – what would be included in calculating “average health premiums?”
- 2016 CBO Revenue Estimate
  - Exclusion limit set at 75% of average premiums would generate $174 Billion for 10 year period 2017 – 2026 (www.cbo.gov/budget-options/2016/52246)
Cadillac Tax

- Cadillac Tax
  - Beginning 2020, employers will pay a 40% excise tax on health coverage cost that exceeds “threshold amounts”
    - Threshold amounts, prior to adjustments
      - $10,200/yr. for self-only coverage
      - $27,500/yr. for coverage other than self-only
    - The actual amount of the tax will vary based on adjustments to the threshold amounts
      - A possible health cost adjustment percentage for 2020 based on medical cost trends
      - An annual cost-of-living adjustment
      - An age and gender group specific demographic adjustment
        - No IRS guidance yet on how this adjustment may work
    - There is currently no geographic adjustment
Cadillac Tax

• Defining Applicable Coverage - What will be Included???
  • Health coverage including medical and Rx
  • Health flexible spending accounts (FSAs)
    • Both employer and employee contributions
  • Employer health savings accounts contributions (HSAs)
    • Not sure if employee pre-tax contributions will be included yet
  • On-site medical clinics
  • Health reimbursement accounts (HRAs) pending confirmation
  • Some employee assistance plans (EAPs)
  • Some wellness programs

• Setting the Cost of Coverage – How will it Work?
  • IRS has promised detailed regulations on calculating the value of the coverage subject to the tax
### Cadillac Tax

**Planning for the Cadillac Tax – Example**

- 250 employee group
- Current 2017 rates
  - Single = $650
  - Family = $1750
- Expected annual trend = 10%

<table>
<thead>
<tr>
<th>Participating Employees</th>
<th>2017 Monthly Rate</th>
<th>Annual Trend</th>
<th>Approx. 2020 Monthly Rate</th>
<th>2020 Annual Plan Cost Per Person</th>
<th>Excess Over S-$10,200 F-$27,500</th>
<th>Tax Per Covered Employee Per Year</th>
<th>Tax Per Covered Employee Per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>150</td>
<td>$650.00</td>
<td>10.0%</td>
<td>$865.15</td>
<td>$10,381.80</td>
<td>$181.80</td>
<td>$72.72</td>
</tr>
<tr>
<td>Family</td>
<td>100</td>
<td>$1,750.00</td>
<td>10.0%</td>
<td>$2,329.25</td>
<td>$27,951.00</td>
<td>$451.00</td>
<td>$180.40</td>
</tr>
</tbody>
</table>

**Total Annual Tax** $28,948.00

**Total 2020 Annual Health Insurance Premiums** $4,352,370.00
Employer Reporting

• 2017 Draft Forms
  • Released in August
  • Minor changes from 2016 version on Form 1094-C as there is no further transition relief available
    • Line 22 options “B” and “C” are RESERVED
    • Part III, column (e) is RESERVED
  • No apparent changes to Form 1095-C or recipient instructions
  • No instructions yet

• 2017 Filing Deadlines
  • Due date for filing the 2017 Forms 1094 and 1095 with the IRS is February 28, 2018, if not filing electronically or April 2, 2018 if filing electronically
  • Due date for providing a copy of the 2017 Form 1095 to employees is January 31, 2018
Who Must Report

• All “applicable large employers” (ALE = 50 or more FTEs)
  • Must report plan and offer of coverage information for any employee who is full-time for at least 1 month (§6056)
    • Full-time as defined by §4980H using the monthly measurement method or the look-back measurement method

• Employers offering self-funded plans (large and small)
  • Must report participant coverage information for any individual covered by the self-funded plan (§6055)
    • Includes part-time or non-employees (e.g. retiree or COBRA participants) as well as dependents covered under the plan
    • Reporting is not required for a health reimbursement account (HRA) which is integrated with a health plan already subject to the reporting
Form 1095-C, Part II

- Line 14 Code Series 1 (Offer of Coverage Codes)
  - Offer of coverage valid only if available for the entire month

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1A</td>
<td>Qualifying Offer</td>
</tr>
<tr>
<td>1B</td>
<td>MV offered to EE only</td>
</tr>
<tr>
<td>1C</td>
<td>MV offered to EE, at least MEC offered to dependent (not spouse)</td>
</tr>
<tr>
<td>1D</td>
<td>MV offered to EE, at least MEC offered to spouse (not dependents)</td>
</tr>
<tr>
<td>1E</td>
<td>MV offered to EE, at least MEC offered to spouse &amp; dependents</td>
</tr>
<tr>
<td>1F</td>
<td>MEC that is not MV offered to employee</td>
</tr>
<tr>
<td>1G</td>
<td>Part-time EE or non-employee covered under self-funded plan</td>
</tr>
<tr>
<td>1H</td>
<td>No offer of coverage</td>
</tr>
<tr>
<td></td>
<td>Reserved</td>
</tr>
<tr>
<td>1J</td>
<td>MV offered to EE, at least MEC conditionally offered to spouse (not dependents)</td>
</tr>
<tr>
<td>1K</td>
<td>MV offered to EE, at least MEC offered to dependent and conditionally offered to spouse</td>
</tr>
</tbody>
</table>
Form 1095-C, Part II

• Line 15 (Employee Contributions)
  • Only enter an amount on Line 15 if Code 1B, 1C, 1D or 1E is used on Line 14

  • Enter the employee contribution for employee-only coverage for the lowest cost minimum value plan offered regardless of which plan or which tier (e.g. employee-only or family) an employee may ultimately choose
    • When employee contribution varies by employee (e.g. age-banded rates), it is necessary to calculate and report the employee contribution that applies for each full-time employee and report accordingly

• Other things such as wellness incentives, HRA contributions, opt-out credits and flex credits may need to be taken into consideration
Form 1095-C, Part II

- Line 16 Code Series 2
  - Code 2C is appropriate only if the coverage offered is MEC
  - Codes 2F, 2G, or 2H may be used only if §4980H(a) requirements are met

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2A</td>
<td>Not employed any day that month</td>
</tr>
<tr>
<td>2B</td>
<td>Part-time or termination month when not covered all month</td>
</tr>
<tr>
<td>2C</td>
<td>Enrolled in coverage (use over any other code if applicable, except 2E)</td>
</tr>
<tr>
<td>2D</td>
<td>EE in non-assessment period (e.g. waiting period or initial measurement period)</td>
</tr>
<tr>
<td>2E</td>
<td>Multi-employer plan interim relief (use over any other code if applicable)</td>
</tr>
<tr>
<td>2F</td>
<td>W-2 affordability safe harbor</td>
</tr>
<tr>
<td>2G</td>
<td>FPL affordability safe harbor</td>
</tr>
<tr>
<td>2H</td>
<td>Rate of pay affordability safe harbor</td>
</tr>
<tr>
<td>2I</td>
<td>Reserved</td>
</tr>
</tbody>
</table>
Reporting Corrections

• Filing “Rejected”
  • Employer must make corrections and resubmit the entire filing

• Filing “Accepted, But With Errors”
  • Employer should not resubmit the entire filing, but should confirm that it has provided the best information it has available or make corrections as applicable, only re-submitting those forms for which corrections are being made

• Correction Timeframe
  • Corrections should be made as soon as possible after discovery
Mismatched Name & TIN/SSN

• Most Common Error Code Received
• Establishing Reasonable Cause
  • If employer is unable to obtain a correct TIN, must show “reasonable cause” to avoid potential penalties by making 3 solicitations within the following timeframes:
    • For Incorrect TINs
      1. Initial solicitation upon enrollment
      2. Second solicitation by Dec 31st of the same year
      3. Third solicitation by Dec 31st of the following year
    • For Missing TINs
      1. Initial solicitation upon enrollment
      2. Second solicitation no more than 75 days later
      3. Third solicitation by Dec 31st of the following year
• Corrections
  • If employer discovers corrected information, the 1095 should be corrected as soon as possible
  • If employer follows the process and is unable to obtain better information, there is nothing further to do other than to document the process for audit purposes
# Form 1095-C

## Employer-Provided Health Insurance Offer and Coverage

Do not attach to your tax return. Keep for your records.

Go to [www.irs.gov/Form1095C](http://www.irs.gov/Form1095C) for instructions and the latest information.

### Part I - Employee

<table>
<thead>
<tr>
<th>1. Name of employee</th>
<th>2. Social security number (SSN)</th>
<th>7. Name of employer</th>
<th>8. Employer identification number (EIN)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. Street address (including apartment no.)</th>
<th>4. City or town</th>
<th>5. State or province</th>
<th>6. Country and ZIP or foreign postal code</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Part II - Employee Offer of Coverage

<table>
<thead>
<tr>
<th>Plan Start Month (Enter 2-digit number):</th>
<th>All 12 Months</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>Aug</th>
<th>Sept</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
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<td></td>
</tr>
</tbody>
</table>

### Part III - Covered Individuals

If Employer provided self-insured coverage, check the box and enter the information for each individual enrolled in coverage, including the employee.

<table>
<thead>
<tr>
<th>(a) Name of covered individual(s)</th>
<th>(b) SSN or other TIN</th>
<th>(c) DOB (If SSN or other TIN is not available)</th>
<th>(d) Covered all 12 months</th>
<th>(e) Months of Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.
Form 1094-C
Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns

Go to www.irs.gov/Form1094C for instructions and the latest information.

### Part I - Applicable Large Employer Member (ALE Member)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Name of ALE Member (Employer)</td>
</tr>
<tr>
<td>2</td>
<td>Employer identification number (EIN)</td>
</tr>
<tr>
<td>3</td>
<td>Street address (including room or suite no.)</td>
</tr>
<tr>
<td>4</td>
<td>City or town</td>
</tr>
<tr>
<td>5</td>
<td>State or province</td>
</tr>
<tr>
<td>6</td>
<td>Country and ZIP or foreign postal code</td>
</tr>
<tr>
<td>7</td>
<td>Name of person to contact</td>
</tr>
<tr>
<td>8</td>
<td>Contact telephone number</td>
</tr>
<tr>
<td>9</td>
<td>Name of Designated Government Entity (only if applicable)</td>
</tr>
<tr>
<td>10</td>
<td>Employer identification number (EIN)</td>
</tr>
<tr>
<td>11</td>
<td>Street address (including room or suite no.)</td>
</tr>
<tr>
<td>12</td>
<td>City or town</td>
</tr>
<tr>
<td>13</td>
<td>State or province</td>
</tr>
<tr>
<td>14</td>
<td>Country and ZIP or foreign postal code</td>
</tr>
<tr>
<td>15</td>
<td>Name of person to contact</td>
</tr>
<tr>
<td>16</td>
<td>Contact telephone number</td>
</tr>
</tbody>
</table>

### Part II - ALE Member Information

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>17</td>
<td>Reserved</td>
</tr>
<tr>
<td>18</td>
<td>Total number of Forms 1095-C submitted with this transmittal</td>
</tr>
<tr>
<td>19</td>
<td>Is this the authoritative transmittal for this ALE Member? If “Yes,” check the box and continue. If “No,” see instructions</td>
</tr>
<tr>
<td>20</td>
<td>Total number of Forms 1095-C filed by and/or on behalf of ALE Member</td>
</tr>
<tr>
<td>21</td>
<td>Is ALE Member a member of an Aggregated ALE Group?</td>
</tr>
<tr>
<td>22</td>
<td>Certifications of Eligibility (select all that apply):</td>
</tr>
<tr>
<td></td>
<td>A. Qualifying Offer Method</td>
</tr>
<tr>
<td></td>
<td>B. Reserved</td>
</tr>
<tr>
<td></td>
<td>C. Reserved</td>
</tr>
<tr>
<td></td>
<td>D. 98% Offer Method</td>
</tr>
</tbody>
</table>

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature ___________________________ Title ___________________________ Date ____________

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.
### ALE Member Information—Monthly

<table>
<thead>
<tr>
<th></th>
<th>(a) Minimum Essential Coverage Offer Indicator</th>
<th>(b) Section 4980H Full-Time Employee Count for ALE Member</th>
<th>(c) Total Employee Count for ALE Member</th>
<th>(d) Aggregated Group Indicator</th>
<th>(e) Reserved</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>Yes</td>
<td>No</td>
<td></td>
<td></td>
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<tr>
<td>24</td>
<td>Jan</td>
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<td>25</td>
<td>Feb</td>
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<td>26</td>
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<td>27</td>
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<tr>
<td>32</td>
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<tr>
<td>33</td>
<td>Oct</td>
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<td>34</td>
<td>Nov</td>
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<tr>
<td>35</td>
<td>Dec</td>
<td>No</td>
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</tbody>
</table>
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