

The Future of American Health Care Reform

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a different opinion

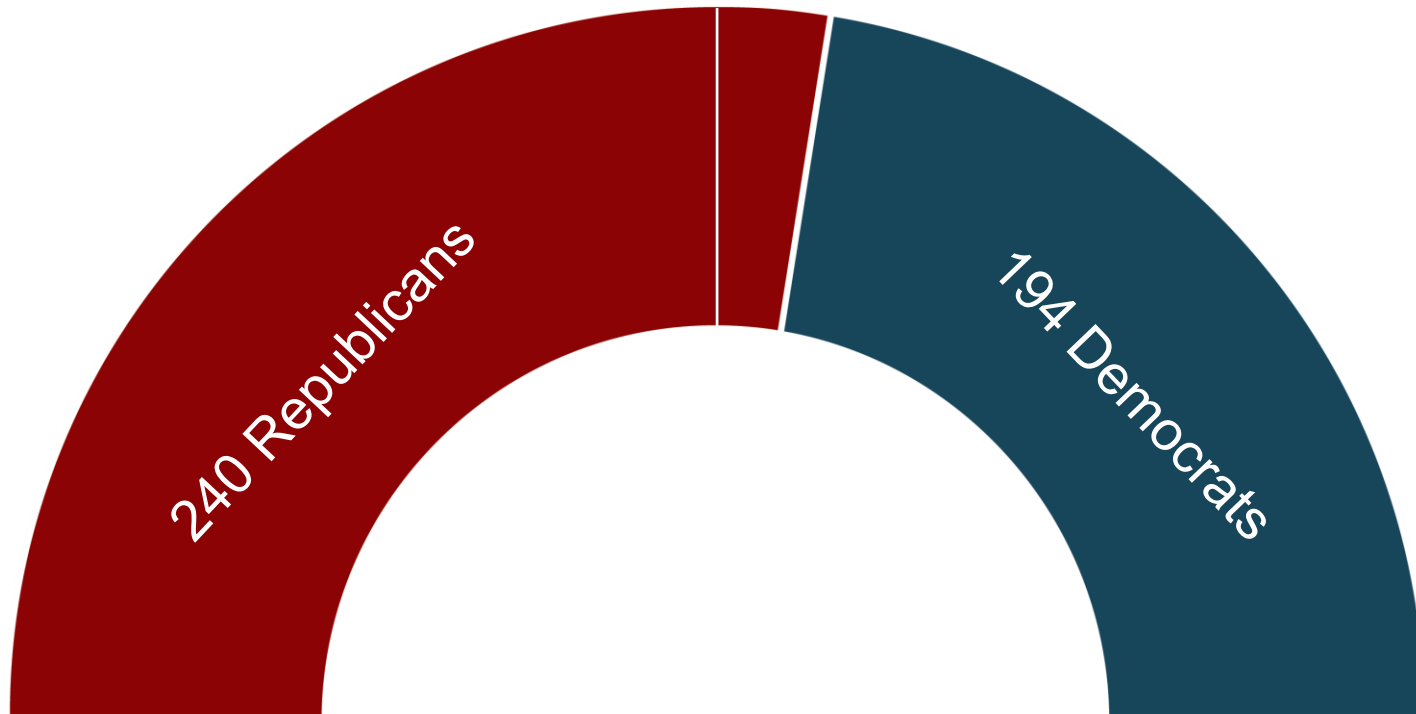


Agenda

- Congressional Activity
- Changes that Impact Employers
- What's an Employer to Do?
- New Reality of Health Care
- Stay Informed

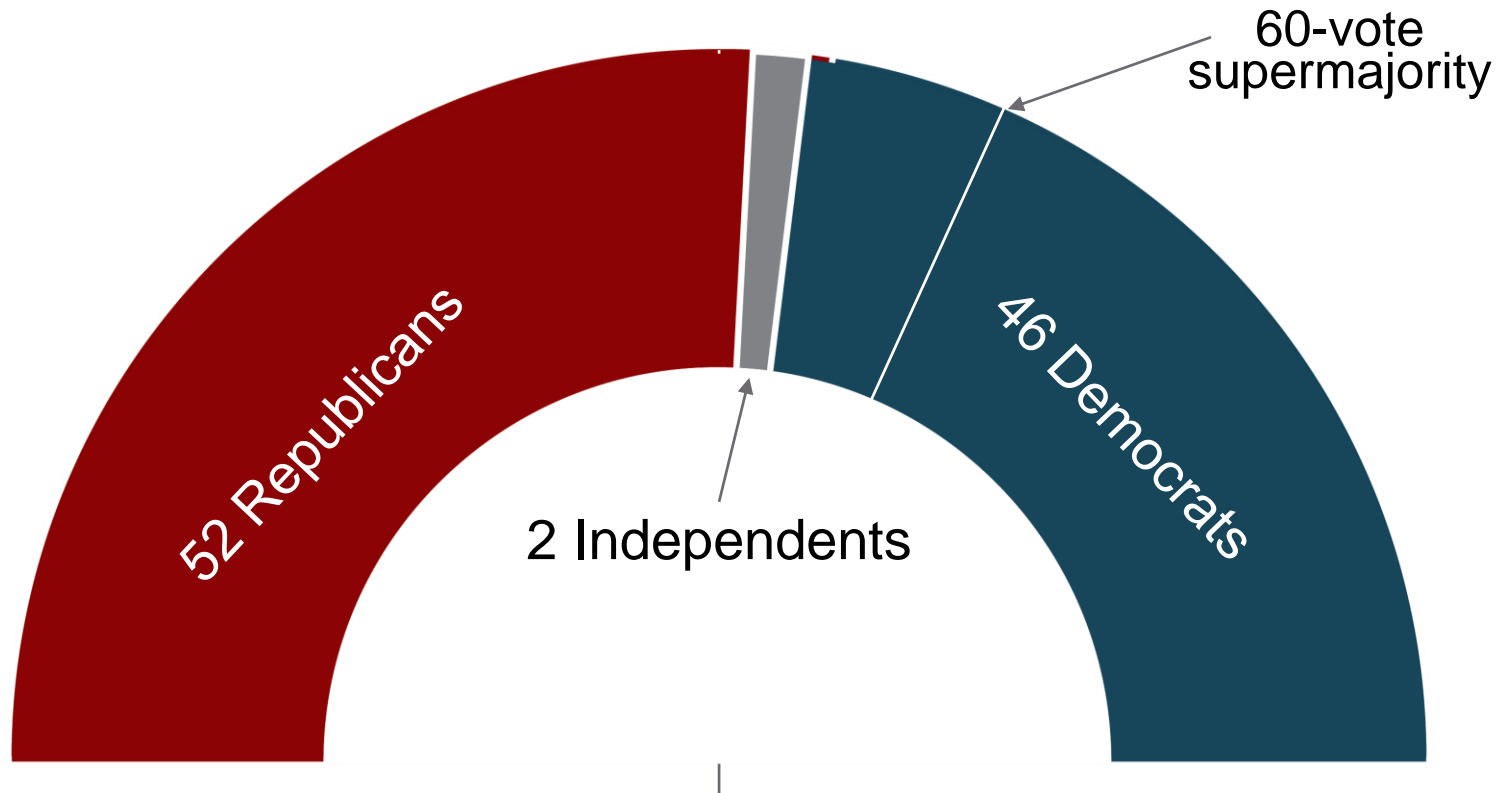
Congressional Activity

House



Simple majority (218) to pass a bill

Senate



Simple majority (51) to pass a budget

Super majority (60) to prevent filibuster

Repeal Options

- Bipartisan repeal
- Budget reconciliation
 - Budget measures: items that address taxing or spending

House Actions

- American Health Care Act (AHCA) (Failed to pass)
 - Meadows-MacArthur Amendment
 - Upton Amendment

Senate Actions

- Failed to pass Better Care Reconciliation Act (BCRA)
- Failed to pass repeal-only bill from 2016, the Obamacare Repeal Reconciliation Act (ORRA)
- Failed to pass so-called “skinny repeal” bill, the Health Care Freedom Act
- Failed to pass Graham-Cassidy bill
- Failed to pass Hatch-Brady bill

Latest News

Congress passed the Tax Cut and Jobs Act in December, and it was signed into law by President Trump.

The new law essentially eliminates the penalty for failing to comply with the ACA's Individual Mandate, the provision that required individuals to obtain health coverage or pay a tax (effective 2019).

Latest News

Congress also passed a spending bill that will further delay the effective date of the ACA's Excise Tax on High Cost Plans (Cadillac Tax) to 2022.

ACA Remains Law

- Several attempts to repeal and replace the ACA, and we may see those efforts continue.
- Employers must remain compliant with current law for the time being

Changes that Impact Employers

Individual Mandate

- Reduces to zero penalty for Individual Mandate
- Takes effect in 2019

Association Health Plans (AHPs)

- Would allow more employers to form AHPs
- Would relax current rules that make such plans tough to form and administer, to the benefit of small and self- employed employers
- Hope is to lower costs by being able to negotiate large group rates and access more flexible plan designs
- Concern is that AHPs will siphon off less risky participants and reduce overall participation in the individual market, making it more difficult to spread risk

Short-term Plan Regulations

- Would allow short-term, limited-duration coverage to be sold for up to 12 months (current regulations limit to 90 days).
- May reapply at the end of the 12-month period, guaranteed renewal not required so new underwriting could apply.
- Not required to comply with ACA consumer protections
- Concern:
 - Individuals who are likely to purchase likely to be relatively young/healthy,
 - Potential weakening of individual market single risk pools,
 - May result in higher premiums for the remaining participants and higher costs to the federal government to fund the advance premium tax credits

HSA Expansion

- Increased contributions
- Catch-up by spouse
- Establishing the HSA
- Reduced excise tax
- Use HSA funds to pay premiums

Support for Employer Coverage

As a general rule, Republicans are very supportive of employers providing coverage to employees

Unclear how that will play out in enforcement efforts

What's An Employer To Do?

Administration and Compliance Still Required

The ACA remains the law so, compliance needs to continue.

Key provisions:

- Employer mandate
- Form 1094/1095 reporting
- Excise Tax on High Cost Plans



ACA-Mandated Reporting

Reporting

- Mail to employees by March 2, 2018 (Form 1095)
- File on paper by February 28, 2018 (Form 1094)
- E-file with IRS by Monday, April 2, 2018 (Form 1094)

Affordability Thresholds

Calendar Year	Affordability Percentage
2015	9.56%
2016	9.66%
2017	9.69%
2018	9.56%

Source: Rev. Proc. 2014-37, Rev. Proc. 2014-62, Rev. Proc. 2016-24, and Rev. Proc. 2017-36

Common Questions

Is it true that President Trump's Executive Order directed the IRS NOT to go after any employers not offering coverage nor individuals for failing to prove they had coverage?

Common Questions

IRS Office of Chief Counsel:

Letters 2017-0010 and 2017-0013

No waivers available to large employers under IRC 4980H



Employer Mandate Penalties

IRS Enforcement

Penalties apply when:

- A large employer fails to offer coverage to at least 70% (after 2015 95%) of full-time employees and their dependent children, and at least one full-time employee receives a premium tax credit to help with the cost of coverage.
- The annual penalty for failing to meet this target is \$2,000 per full-time employee, less the first 80 (after 2015, first 30), indexed annually.

IRS Enforcement

- A large employer offers coverage to at least 70% (after 2015 95%) of full-time employees and their dependent children, but at least one full-time employee receives a premium tax credit to help with the cost of coverage that was not offered, was inadequate, or was unaffordable.
- The penalty for failing to meet this target is \$3,000 per full-time employee who receives a premium tax credit and no safe harbor applies.

IRS Enforcement

Step 1:

Employer receives IRS Letter 226 J and Form 14765 (Employee Premium Tax Credit Listing)

Step 2:

Employer responds using IRS Form 14764 (Employer Response)

Step 3:

IRS responds using Letter 227

IRS Enforcement

Step 4:

Optional pre-assessment conference w/ IRS Office of Appeals

Step 5:

Notice CP 220J issued if IRS determines an assessment will be made

Step 6:

Employer can submit questions, request abatement, or challenge the assessment in court



Department of the Treasury
Internal Revenue Service
Group 2219
7300 Turfway Road, Suite 410
Florence, KY 41042

Tax year:

Letter date:

Employer ID number:

Contact name:

Contact ID number:

Contact telephone number:

Contact e-fax number:

Response date:

Dear

We have made a preliminary calculation of the Employer Shared Responsibility Payment (ESRP) that you owe.

Proposed ESRP \$ [XXXXXX]

Our records show that you filed one or more Forms 1095-C, Employer-Provided Health Insurance Offer and Coverage, and one or more Forms 1094-C, Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns, with the IRS. Our records also show that for one or more months of the year at least one of the full-time employees you identified on Form 1095-C was allowed the premium tax credit (PTC) on his or her individual income tax return filed with the IRS. Based on this information, we are proposing that you owe an ESRP for one or more months of the year.

You generally owe an ESRP for a month if either:

- You did not offer minimum essential coverage (MEC) to at least []% of your full-time employees (and their dependents) and at least one of your full-time employees was certified as being allowed the PTC; or

Letter 226J (10-2017)
Catalog Number 67905G

ESRP Summary Table

Information Reported to IRS							
Month	a. Form 1094-C, Part III, Col (a) Minimum essential coverage offer indicator offered to at least [70% or 95%]	b. Form 1094-C, Part III, Col (b) Full-time employee count for ALE member	c. Allocated reduction of full-time employee count for IRC Section 4980H(a)	d. Count of assessable full-time employees with a PTC for IRC Section 4980H(a)	e. Count of assessable full-time employees with a PTC for IRC Section 4980H(b)	f. Applicable IRC Section 4980H provision	g. Monthly ESRP amount
Jan	[Yes/No]	[xxx]	[xx]	[x]	[x]	[4980H(a)/4980H(b)]	[\$xx,xxx]
Feb	[Yes/No]	[xxx]	[xx]	[x]	[x]	[4980H(a)/4980H(b)]	[\$xx,xxx]
March	[Yes/No]	[xxx]	[xx]	[x]	[x]	[4980H(a)/4980H(b)]	[\$xx,xxx]
Apr	[Yes/No]	[xxx]	[xx]	[x]	[x]	[4980H(a)/4980H(b)]	[\$xx,xxx]
May	[Yes/No]	[xxx]	[xx]	[x]	[x]	[4980H(a)/4980H(b)]	[\$xx,xxx]
June	[Yes/No]	[xxx]	[xx]	[x]	[x]	[4980H(a)/4980H(b)]	[\$xx,xxx]
July	[Yes/No]	[xxx]	[xx]	[x]	[x]	[4980H(a)/4980H(b)]	[\$xx,xxx]
Aug	[Yes/No]	[xxx]	[xx]	[x]	[x]	[4980H(a)/4980H(b)]	[\$xx,xxx]
Sep	[Yes/No]	[xxx]	[xx]	[x]	[x]	[4980H(a)/4980H(b)]	[\$xx,xxx]
Oct	[Yes/No]	[xxx]	[xx]	[x]	[x]	[4980H(a)/4980H(b)]	[\$xx,xxx]
Nov	[Yes/No]	[xxx]	[xx]	[x]	[x]	[4980H(a)/4980H(b)]	[\$xx,xxx]
Dec	[Yes/No]	[xxx]	[xx]	[x]	[x]	[4980H(a)/4980H(b)]	[\$xx,xxx]
						Total Proposed ESRP	[\$xxx,xxx]



Tips

- Engage qualified tax and legal counsel
- Request an extension if necessary
- Respond timely to all correspondence



Preparing for the “Cadillac Tax”

Excise Tax on High Cost Plans

- General thresholds applicable in 2018 (will be indexed for 2022):
 - Individual coverage: \$10,200
 - Family coverage: \$27,500
- High Risk Professionals or retired individuals age 55 and older and not eligible for Medicare
 - Individual Coverage: \$11,850
 - Family Coverage: \$30,950

When to Start?

- For non-calendar year plans, adjustments will likely need to be in place for the plan year beginning in 2021
- Allow time for collective bargaining discussions
- Allow for time to adjust offerings and educate employees

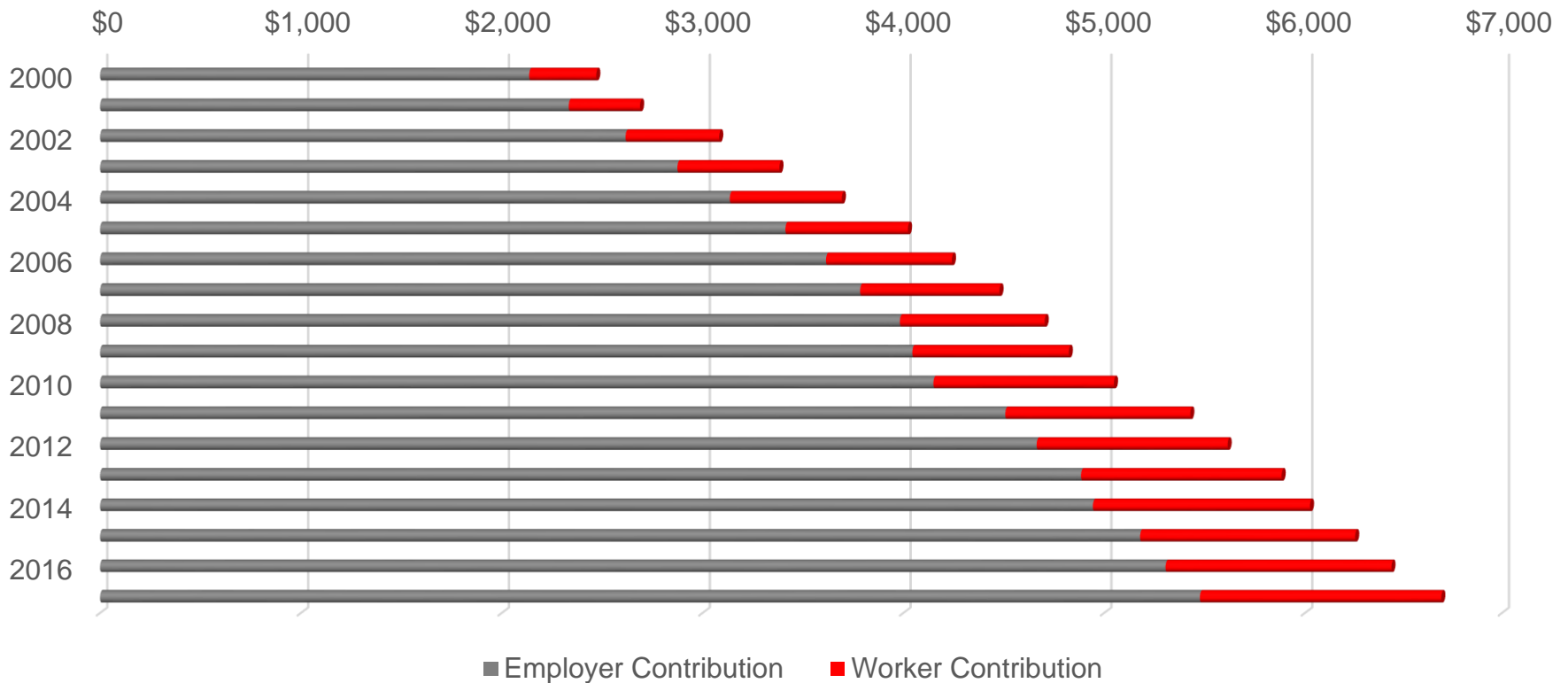


Employee Exclusion

Congressional proposals would have left untouched the provision that makes employer-provided health coverage not subject to income or employment tax

New Reality of Health Care

Employer/Worker Contributions, Single Coverage

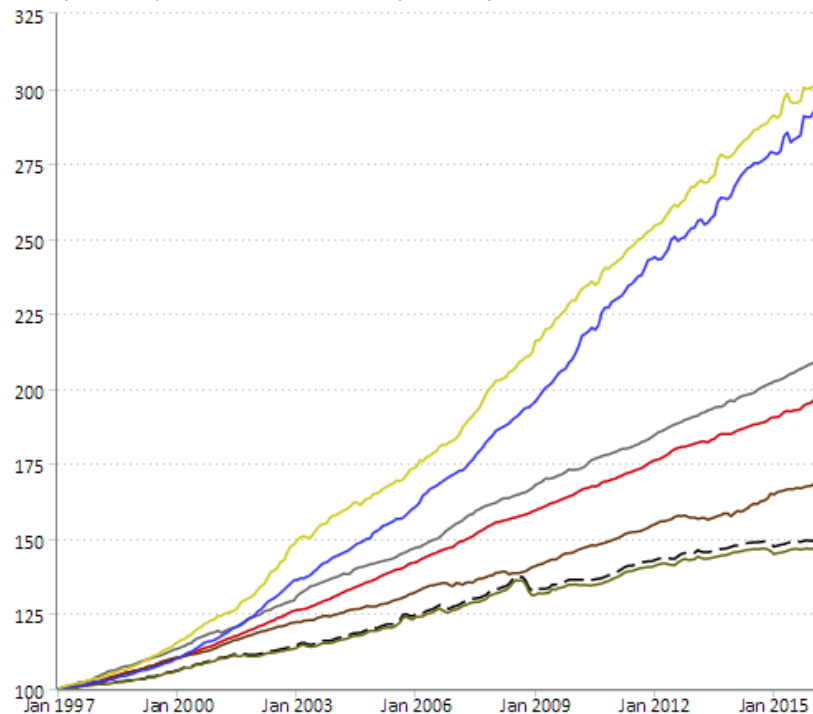


SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017

Consumer Prices of Medical Services

Consumer Price Index for healthcare items, seasonally adjusted, January 1997–April 2016 (January 1997 = 100)

- - All items — All items less medical care — Medical care
 — Medical care commodities — Medical care services — Physicians' services
 — Dental services — Nursing homes and adult day services — Prescription drugs
 — Inpatient hospital services — Outpatient hospital services



Click legend items to change data display. Hover over chart to view data.

Source: U.S. Bureau of Labor Statistics. 2016

Since 1997, consumer prices have increased

- inpatient services 195%
- outpatient services 200%
- prescription drugs, nursing homes and adult day services have more than doubled

What is our new reality?

- No provisions in current law or proposed legislation which will curb the actual costs of health care.
- Employers must start reducing costs and educating employees now.

Education Requires a Commitment

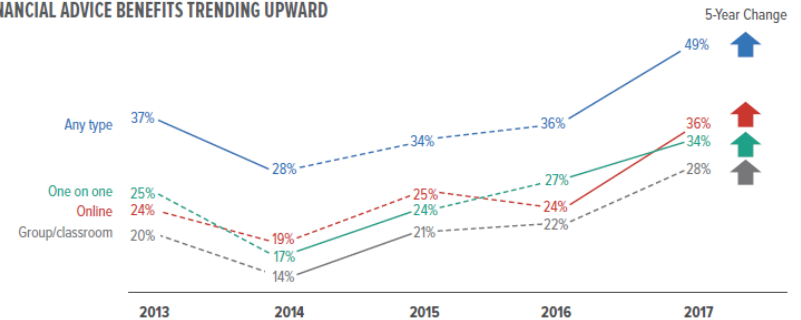
Benefits account for up to 30% of total employee compensation, yet employers rarely allocate resources to make sure their employees understand and value the benefits they are offered.

Help Employers Connect the Dots – 2016 LIMRA Employer Study

Education Requires a Commitment

- Financial illiteracy is common.
- Financial security is a key component of the emerging idea of “well-being”.
- Healthier and more financially secure employees may improve productivity.

FINANCIAL ADVICE BENEFITS TRENDING UPWARD



Note: n = 504-518 (2013), 441-444 (2014), 416-418 (2015), 3,084-3,108 (2016), 2,734-2,757 (2017). Dashed lines indicate no statistically significant change between years, and solid lines indicate a statistically significant change between years. Arrows indicate a statistically significant change from 2013 to 2017. Financial advice is defined as “providing employees with information on how to manage their financial resources effectively for a lifetime of financial well-being”.

Source: 2017 Employee Benefits (SHRM)

Education May Improve Value



Increase appreciation of the value of benefits



Improve cost management through consumerism



Decrease disputes, complaints, and administrative hassles

Reposition HSA

- Health Savings Account (HSA) as a financial tool
- Provides ongoing protection from increasing out-of-pocket expenses
- Present in nonmedical financial discussions
 - Tax planning (triple tax advantage)
 - Retirement planning
 - Estate planning

Stay Informed

What We Do Know

- ACA remains the law
- Repealing it is not as easy as it first appeared

Stay Informed

- Find a trusted source of news
- Get regular updates
- We're here to help

Thank you!

American Fidelity Administrative Services
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Contact us: 877-302-5073 or HCR@americanfidelity.com

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