



***Where Pennsylvania
Businesses Go To Grow***

Health Care Legislation Part 2 ~ 2012-2013

October 2010

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Health Care Legislation 2010 - 2011

By now we are all well aware of the Health Care Legislation that have taken or will take effect in 2010 and 2011

- ⊙ Grandfather Clause
- ⊙ Dependent Age 26
- ⊙ Lifetime & Annual Limits
- ⊙ Pre-existing Conditions
- ⊙ Preventive Services
- ⊙ Emergency Services
- ⊙ Primary Care Physician
- ⊙ OB/Gyn Referrals
- ⊙ Claims Appeal Process
- ⊙ Nondiscrimination Rules
- ⊙ Temporary High-Risk Pools
- ⊙ Early Retiree Reinsurance Program
- ⊙ Over the Counter Drugs
- ⊙ Distributions from HSAs
- ⊙ Small Business Tax Credits
- ⊙ Small Business Wellness Incentives
- ⊙ Long-Term Care (CLASS Act)
- ⊙ Medical Part D “Donut Hole”
- ⊙ Rescission of Coverage
- ⊙ Adoption Assistance

Health Care Legislation 2014

We are also well aware of what is coming in 2014.

- 👤 Federal Insurance Changes
- 👤 Employer “Pay or Play”
- 👤 Individual Mandates
- 👤 Premium Subsidies
- 👤 Free Choice Vouchers
- 👤 Auto Enrollment

Health Care Legislation 2012 - 2013

- 🕒 But what of the “Middle Years” of 2012 and 2013?
- 🕒 In comparison, a relatively quiet period leading up to 2014.
- 🕒 However, still some significant changes in 2012 and 2013 particularly in regards to Business and Individual taxes.

Health Care Legislation 2012 - 2013

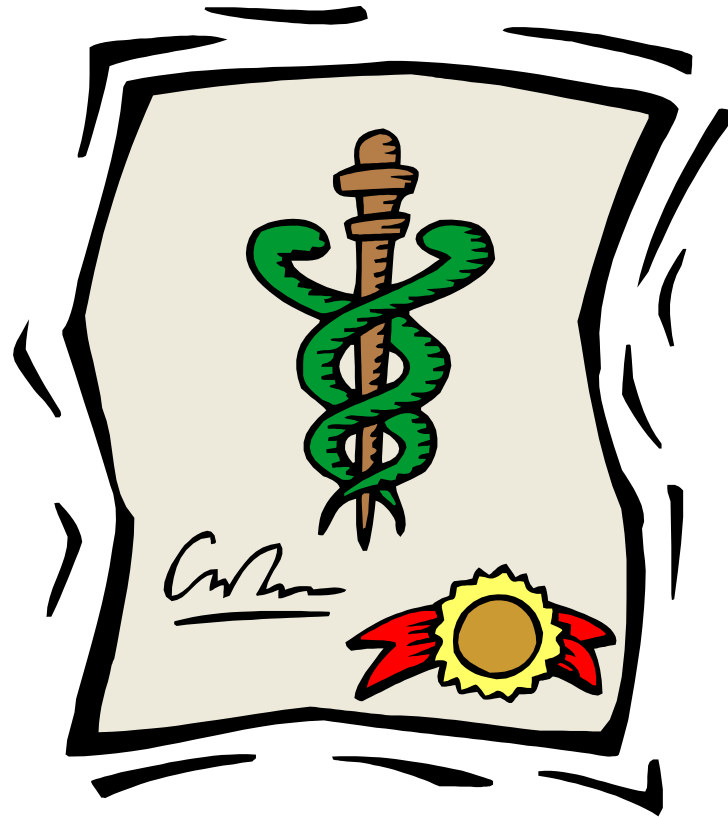
2012 and 2013 Health Care Legislation Provisions will be categorized by:

- 🇺🇸 Insurance Changes
- 🇺🇸 Medicare Changes
- 🇺🇸 Tax Changes

Tax Disclaimer – SMC Business Councils and SMC Insurance Agency, Inc. do not provide tax advice to members. The information regarding any tax changes due to health care legislation provisions are for informational purposes only. A member interested in tax advice should consult with their tax advisor.

Health Care Legislation 2012 - 2013

Insurance Changes



Uniform Notice of Coverage

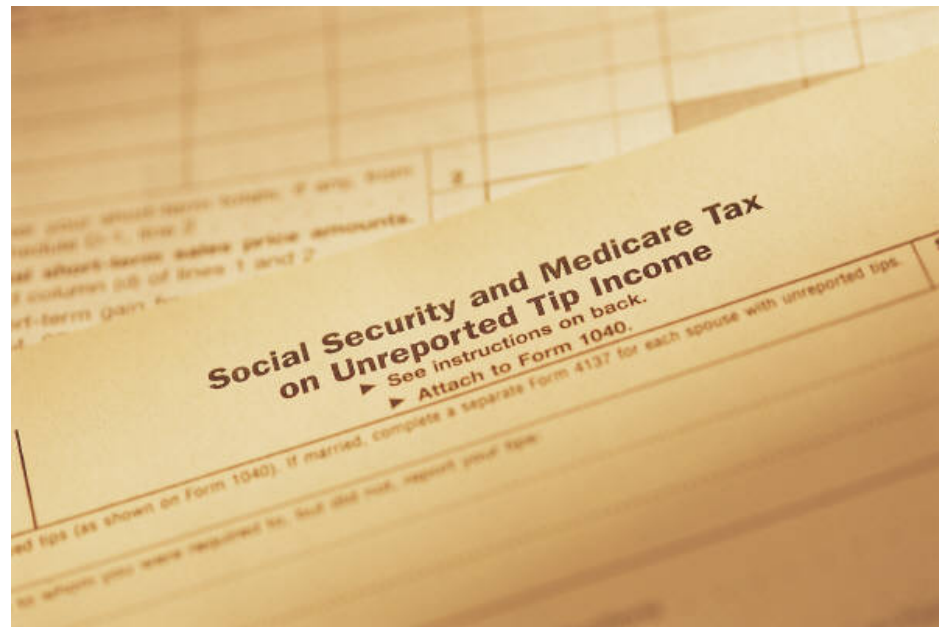
Who	Group health plans
What	<p>Plan administrators must provide a standardized summary of coverage to all employees prior to enrollment and annually. The content of the notice will be set by HHS. In addition, if material changes are made, notices must be provided to participants 60 days <u>prior</u> to the change.</p> <p>These requirements apply to all plans – even those that are ERISA exempt (such as church and government plans). Guidance is expected on ERISA plans and incorporating this notice into summary plan documents.</p>
When	The first plan year on or after March 23, 2012

Employee Notice Requirement

Who	Group health plans
What	<p>Employers sponsoring group health plans are required to notify employees (and subsequent new hires) about the availability of the 2014 programs including the state Exchanges, premium subsidies and free choice vouchers.</p> <p>This change requirement applies to grandfathered group health plans.</p>
When	In 2013 prior to the start of the state Exchanges on 01/01/2014.

Health Care Legislation 2012 - 2013

Medicare Changes



Medicare Part D Subsidy

Who	Employers sponsoring a Retiree Drug plan
What	<p>Elimination of the tax deduction for employers receiving the government's retiree drug subsidy. Although the tax change is not effective until 2013, this provision could have an immediate impact on employer's accounting statements.</p> <p>This change applies to grandfathered group health plans.</p>
When	2013 tax year

Health Care Legislation 2012 - 2013

Tax Changes



W-2 Reporting

Who	All employers
What	<p>Disclose the value of the employer-sponsored health insurance coverage on the W-2.</p> <p>Exclude all contributions to HSAs, Archer MSA's and salary reduction contributions to FSAs.</p> <p>Initially, employers were going to have to begin reporting the plan cost amounts on the 2011 W-2 forms issued in January 2012, however the IRS recently announced the delay to this implementation</p>
When	Benefits payable during taxable years beginning after December 31, 2011 (2012 W-2's)

Form 1099 Reporting

Who	All employers
What	Expand the scope of 1099s by using them to track payments not only to individuals, but also to corporations. Expand the reporting from services to services <i>and</i> tangible goods.
When	<p>Starting January 1, 2012, all companies must issue a 1099 to any individual and/or corporation if they buy more than \$600 in goods or services in a year from that person/corporation.</p> <p>1099 must be filed with the IRS and must obtain vendor's taxpayer identification number (EIN). If the EIN is unavailable, 28% withholding taxes must be sent to the IRS.</p>

Federal Premium Tax

Who	Group health plans
What	<p>A new federal premium tax will be used to fund a comparative effectiveness research program. The fee is \$2 per average number of insured lives.</p> <p>The fee will reduce to \$1 in policy years ending during fiscal year 2013.</p>
When	Effective for plan years beginning on or after October 1, 2012

Flexible Spending Accounts

Who	Employers with FSA plans
What	The maximum contribution for medical expenses is limited to \$2,500 per year. This annual cap to be indexed by the cost of living adjustment.
When	Tax years beginning after December 31, 2012

Itemized Deductions for Medical Expenses

Who	Individual tax payers
What	<p>The threshold for itemized deductions will be increased to 10% of adjusted gross income.</p> <p>This increased threshold will not apply to individuals age 65 or older for tax years 2013 to 2016.</p>
When	Tax years beginning after December 31, 2012

Medicare Part A Tax Rate on Wages

Who	Employees earning over \$200,000 annually
What	<p>The FICA tax rate on wages will be increased to 2.35% on earnings over \$200,000 for individual taxpayers and \$250,000 for married couples filing jointly.</p> <p>The employer amount remains at 1.45%.</p> <p>There is also an assessment on unearned income for higher-income taxpayers. The tax is equal to 3.8% of the lesser of the individual's net investment income for the year or the amount the individual's modified adjusted gross income exceeds the threshold amounts above. This assessment does not affect employers and their withholding requirements, it is the responsibility of the tax payer.</p>
When	Compensation received beginning 2013

Medical Device Excise Tax

Who	Medical Device Manufacturers
What	An excise tax of 2.3% applies to the sale of any medical device intended for humans except eyeglasses, contact lenses, hearing aids, and medical devices generally sold at retail to the public for individual use.
When	2013

What do you need to do?

Important Questions



1. Plan accordingly and develop a process for issuing Uniform Notice of Coverage changes to your plan participants.
2. If you sponsor a Retiree Drug plan, review your financials if you no longer will be receiving the government tax subsidy.
3. Confirm with your payroll vendor that they are prepared for the new W-2 reporting requirement.
4. If you sponsor a Flexible Spending Account, develop your communication strategy to your employees of the reduced healthcare allowance.
5. Does the increase in the employee FICA tax rate on wages cause you to reconsider your current employee compensation policy?



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