bailey benefit news
Legislative Edition

From the Desk of Paul Routh, Esq.

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Government Co-ops Failing

Many people think the current administration wanted a single-payer system where everyone enrolls in a government plan. Basically, it would be something like Medicare for everyone. However, Congress would not adopt this approach, so we ended up with health care reform. One aspect of health care reform that has been overlooked is the government run co-ops.

http://bit.ly/1IZgpOy

The co-ops are government sponsored non-profit health care companies that are supposed to keep the private carriers "honest" by competing against the private carriers. That is, the government gave these co-ops seed money and the co-ops were supposed to offer an alternative to the private carriers. This, in turn, would force the private carriers to offer lower premiums to compete against the lower premiums offered by the co-ops. As it turns out, all but one co-op lost money so the grand plan is not working.

The Government Gives and Takes at the Same Time

By now everyone is aware of the IRS reporting requirements under health care reform. Namely employers with 50 or more full-time and full-time equivalent employees and employers with self-funded health plans regardless of size have to complete IRS Forms 1094 and 1095. The government has indicated it will not assess penalties for the 2015 forms, which have to be submitted to the government and distributed to the employees early next year, if the employer makes a good-faith attempt to comply.

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Having said that the government has just increased the penalties for noncompliance. Gathering the data, preparing the forms and submitting them to the government is going to be challenging and employers should have already started the process.

Self-Funded Health Plans Expected to Grow in Popularity

Community rating is scheduled to kick in next year for smaller employers (i.e. those with fewer than 100 employees) and most people believe the premiums will increase dramatically for a majority of those small employers. Self-funded health plans are exempt from the community rating rules so that option becomes more attractive.

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Traditionally only larger employers were able to sponsor self-funded health plans but the carriers are developing self-funded products for smaller employers. This article talks about those options.

Cash-Out Option May Cost More Than You Think

Some employers offer a cash-out option. Under this arrangement the employer offers cash to those employees that waive coverage under the employer's group health plan. These programs are permissible so long as the cash-out option is available to all employees. For example, the employer cannot offer cash out option to only employees eligible for Medicare. The government has taken the informal position that the cash-out program has to be factored in when determining if the cost of the coverage is affordable under the employer mandate or play or pay rules.

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Say the employee's cost of single coverage is $150 per month and the employer offers employees who waive coverage $75 per month. The government is saying that the cost to the employees is $225 per month. That is, according to the government, the employee who elects coverage is paying $150 plus that employee is giving up the $75 per month cash-out option. So the total cost for that employee is really $225 per month (i.e. the $150 + $75) when you determine if the coverage is affordable for purposes of the employer mandate or play or pay rules. Again, this is the government's informal position but employers with cash-out options should at least be aware of this rule.

Filing Deadlines Extended

The Form 5500s are the bane to my existence. If you have at least 100 participants (i.e. employees) in a welfare benefit plan as of the first day of the plan year, you have to file the Form 5500. You look at all the lines of coverage to determine the number of participants. For example, there could be 85 employees in the medical and 115 employees in the company-paid life insurance. In this case, you have more than 100 participants (i.e. employees) in the plan so you need to file the Form 5500. It is due seven months after the close of the plan year. So calendar year plans have to file the forms by July 31st of the following year.

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If you cannot meet the deadline you can file for an extension by using IRS Form 5558. Previously you could get a 2½-month extension but the government has just increased the extension period to 3½ months. Note that the filing rules are different for retirement plans and for employers that sponsor "funded" welfare benefit plans.

Health Coverage Tax Credit Reinstated

President Obama signed the Trade Preferences Extension Act of 2015 on July 6, 2015, which, in part, reinstated a tax credit available to certain individuals to help pay for health coverage.

http://bit.ly/1M6pDch
http://bit.ly/1eNtyw2

The tax credit was originally enacted in 2002 but expired on January 1, 2014. The credit is available to workers displaced due to foreign trade. It has limited application, but for those who do qualify it can provide substantial help.

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