

## **PPACA's W2 reporting requirement and general reform updates – what's next?**

There has been a fair amount of discussion regarding the health reform provision requiring employers to report the cost of coverage on W2s. For your reference, some of the main aspects are reviewed below.

### **Who is subject to the reporting?**

All employers required to file 250 or more W-2 forms in 2011\* and that provide applicable employer-sponsored coverage are subject to the reporting requirement. This includes the following:

- Federal agencies
- State and local government entities
- Churches and other religious organizations (but coverage under self-funded church plans is excepted) - see below

The following exceptions to the reporting requirement apply until further guidance is issued:

- Employers that filed fewer than 250 W-2 forms for the preceding calendar year
- Federally recognized Indian tribal governments
- Self-funded group health benefit plans not subject to any federal continuation coverage requirements, such as self-funded church plans
- Plans maintained primarily for members of the military or for members of the military and their families

\*Filing for 2011 was made optional to allow employers time to make necessary changes to their payroll systems and while IRS finalizes administrative and operational requirements.

### **Just to confirm - What /who is considered a group health plan?**

The guidelines state that a group health benefit plan (including a self-funded plan) is a plan of, or contributed to by, an employer (including a self-employed person) or employee organization to provide health care coverage (directly or otherwise) to the employees, former employees, the employer, others associated or formerly associated with the employer in a business relationship, or their families.

### **Are there changes to the taxation of benefits?**

No. The new requirement does not impact what can be included or excluded from gross income.

### **Must an employer issue a W-2 including the cost of coverage to an individual to whom the employer is not otherwise required to issue a W-2, such as a retiree or other former employee receiving no compensation required to be reported on a W-2?**

No. This includes only retirees and former employees who do not receive any compensation from the employer.

## **General Health Care Reform Requirements**

2011 was a little busier for employers than it appears 2012 will be with regard to communication of new requirements directly impacting employees as a result of PPACA. However, there are still changes taking effect. The information below summarizes some of the key provisions.

### **Standard Summary of Benefits Coverage & Glossary**

The new rules will take effect on March 23, 2012, and they will apply to all group health plans, both grandfathered and non-grandfathered. All health plans and issuers must provide a Summary of Benefits and Coverage, along with a uniform glossary of terms, to shoppers and enrollees upon request and before they buy coverage. For insured plans, the insurance company will be responsible for drafting & providing the notices, it will be the employer's responsibility for self-insured programs. Health plans and issuers must also provide notice at least 60 days before any significant modification is made in the plan or coverage during the plan or policy year.

### **Linking Payment to Quality Outcomes**

The law establishes a hospital Value-Based Purchasing program (VBP) in Traditional Medicare. This program offers financial incentives to hospitals to improve the quality of care and is effective for payments for discharges occurring on or after October 1, 2012.

### **Encouraging Integrated Health Systems**

The new law provides incentives for physicians to join together to form "Accountable Care Organizations." These groups allow doctors to better coordinate patient care and improve the quality, help prevent disease and illness and reduce unnecessary hospital admissions and is effective January 1, 2012.

### **Reducing Paperwork and Administrative Costs**

Health care remains one of the few industries that relies on paper records. The new law will institute a series of changes to standardize billing and requires health plans to begin adopting and implementing rules for the secure, confidential, electronic exchange of health information. The first regulation effective October 1, 2012.

### **Understanding and Fighting Health Disparities**

To help understand and reduce persistent health disparities, the law requires any ongoing or new Federal health program to collect and report racial, ethnic and language data. The Secretary of Health and Human Services will use this data to help identify and reduce health disparities. This is effective March 2012.

### **Providing New, Voluntary Options for Long-Term Care Insurance.**

The law creates a voluntary long-term care insurance program – called CLASS (Community Living Assistance Services and Supports) – to provide cash benefits to adults who become disabled. The Secretary shall designate a benefit plan no later than October 1, 2012.

*Addendum: HHS officials announced late in September their plan to closely review and release a report on the proposed long-term care program's solvency concerns in mid-October.*

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