

Patient Protection and Affordable Care Act (PPACA) Overview



Outline

- ▶ Overview
- ▶ Key Concepts
- ▶ Definition of Terms
- ▶ Measurement and Stability Periods
- ▶ Section 6056 Reporting
- ▶ Employment Considerations

ACA Overview

- ▶ On March 23, 2010, President Obama signed a comprehensive health reform act into law.
 - ▶ Comprehensive legislation that attempts to reform the healthcare system by providing more Americans with Affordable Quality Health Insurance.
 - ▶ Key Concepts:
 - ▶ Employer Shared-Responsibility or “Pay or Play” Employer Mandate
 - ▶ Individual Mandate



Sounds easy enough....

- ▶ Implementation Complexity
 - ▶ Approximately 11,000 pages of regulations
 - ▶ 90 provisions
 - ▶ 8+ year timeline implementation (2010-2018)
 - ▶ Penalties for non-compliance





ACA's Key Concepts

EMPLOYER SHARED RESPONSIBILITY AND INDIVIDUAL MANDATES

Employer and Individual Mandates

- ▶ **Employer Mandate:**

- ▶ Applicable Large Employers (ALE) with at least 50 full-time equivalent employees (full-time is considered 30 hours) are required to offer affordable, minimum value health insurance to their full-time employees.
 - ▶ Failure to offer coverage subjects Applicable Large Employers (ALE) to potential tax penalties under section 4980H if an eligible employee enrolls through the exchange and qualifies for a subsidized premium.

- ▶ **Individual Mandate:**

- ▶ The affordable care act requires nearly everyone to have health insurance that meets minimum standards. With some exceptions, people who do not maintain health insurance coverage will have to pay a penalty as of 2014.



Defining the ACA

COCONINO COMMUNITY COLLEGE

Key Terms

Full-Time Employee

Under the ACA, an employee working 30 or more hours a week is considered full-time. A new employee who is reasonably expected to work full-time (average 30 hours per week) at his or her start date for 90 days or more is considered benefits eligible based on ACA rules.

Variable Hour Employee

A employee is considered a variable hour employee if, based on the facts and circumstances at the start date, it cannot be determined that the employee is reasonably expected to work on average at least 30 hours per week for 90 days.

Temporary Employee

Hired to work for a period of 6 months or less.

**Eligibility cannot be determined on FTE alone.
Hours have to be tracked and considered
based on IRS guidance**

Applying the ACA

Standard Measurement Period

The Measurement Period or “look back period” is a safe harbor method to provide employers the option to use a look-back measurement period of up to 12 consecutive calendar months to determine whether variable hour employees or seasonal employees are full-time employees, without being subject to a payment under 4980H for this period with respect to those employees.

Administrative Period

The Administrative Period includes all periods between the start date of a new variable-hour or seasonal employee and the date the employee is first offered coverage under the employer's group health plan, other than the initial measurement period. This provides a period of time to evaluate eligibility and to complete the benefit enrollment process.

Stability Period

The period of time a “variable hour” employee that averaged 30 hours during the Measurement Period would be treated as a full-time employee regardless of the employee's number of hours of service during the stability period, so long as he or she remained an employee. The stability period cannot be less than the measurement period.

Safe Harbors

Minimum Essential Coverage

Large employers must offer full-time employees (and their dependents) an opportunity to enroll in minimum essential coverage under an employer-sponsored plan

Two tests that apply:

1. Minimum Value-which evaluates the comprehensiveness of the plan.
2. Affordability-which evaluates an employee's ability to pay for the plan.

Minimum Value

A health plan meets this standard if it is designed to pay at least 60% of the total cost of medical services for a standard population, and if its benefits include substantial coverage of inpatient hospital and physician services.

Affordability

The affordability test looks at each employee uniquely, not the aggregated population. It compares what employees pay for coverage to each employee's wages.

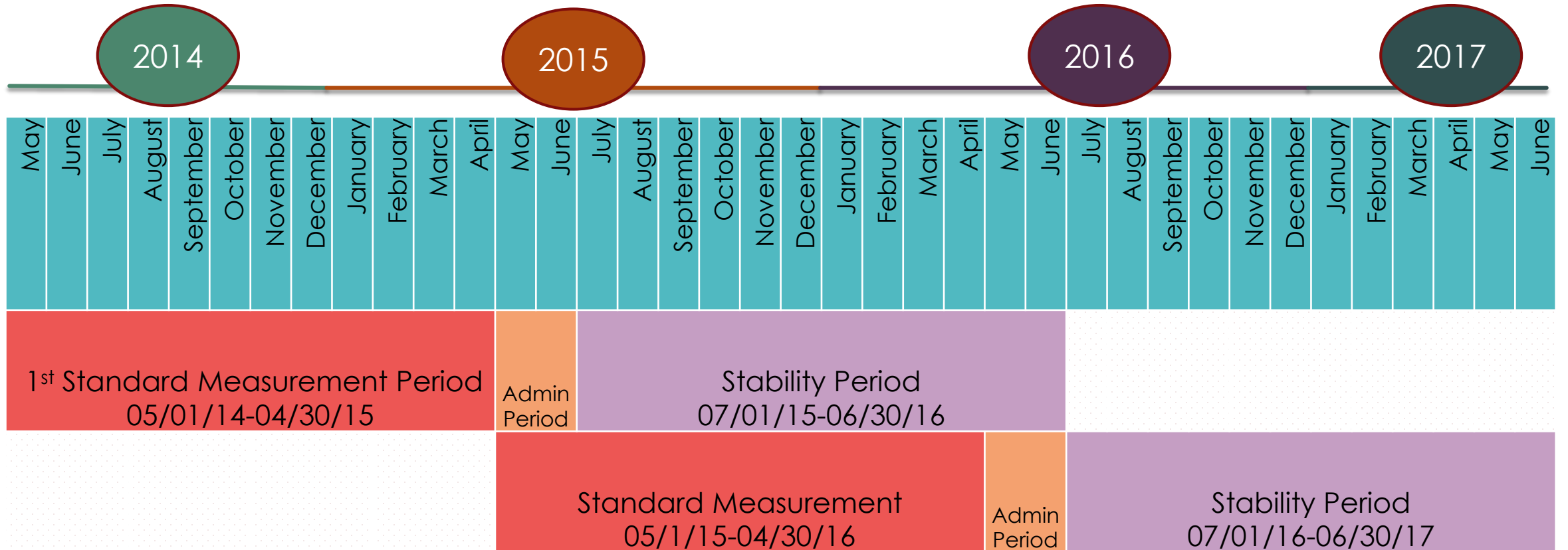
The employee's premium contribution for self-only coverage for the lowest cost plan cannot exceed 9.5% of the employee's household income.



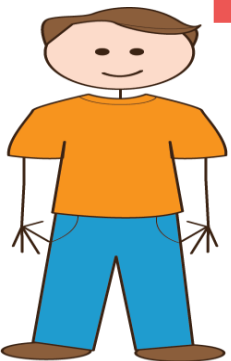
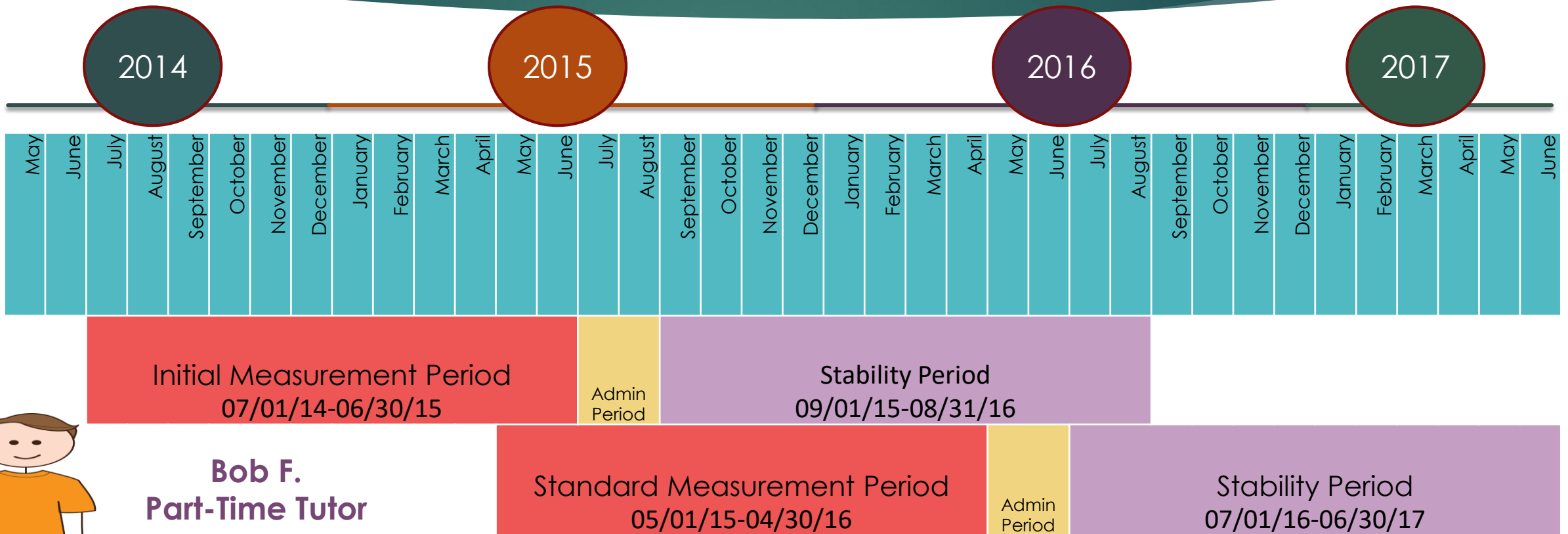
Coconino Community College ACA Periods

**MEASUREMENT PERIODS, ADMINISTRATIVE PERIODS, AND STABILITY
PERIODS**

Measurement Periods-Ongoing Employee



Measurement Periods-New Variable Hour Employee



Bob F.
Part-Time Tutor
hired June 15

Parts on the Initial and Ongoing Measurement Periods Happen Simultaneously

Breaks In Service

**Impacts
On
Measurement
and
Stability Periods**

| Length of Break in Service | Impact on Measurement/Stability Period |
|--|---|
| Break in Service MORE than 26 weeks | Treat as new hire - restart and begin new Measurement Period |
| Break in service between 4 – 26 weeks with amount of prior employment GREATER than break in service | Continue existing measurement & stability periods, but do not count break against employee (will average by smaller number of months to exclude the break in service) |
| Break in service between 4 – 26 weeks with amount of prior employment LESS than break in service | Treat as new hire - restart and begin new Measurement Period |
| Break in Service LESS than 4 weeks | Continue existing measurement & stability periods. Factor in zero hours during the break |



Section 6056 Reporting

FOR APPLICABLE LARGE EMPLOYERS (ALE)

Applicable Large Employers (ALE's) must provide an annual statement to all employees eligible for coverage describing the insurance available to them. The IRS created form 1095-C to serve as that statement.

➤ **Information on the 1095-C:**

- The employee and the employer.
- Which months during the year the employee was eligible for coverage.
- The cost of the cheapest monthly premium the employee could have paid under the plan.

What is a 1095-C?

1095-C

Employer-Provided Health Insurance Offer and Coverage Insurance. Form 1095-C is filed and furnished to any employee of an ALE who is a full-time employee for one or more months of the calendar year. ALE's must report that information for all twelve months of the calendar year for each employee.



Jayne is a full-time continuous employee, who has two children covered for the entire calendar year.

Form **1095-C**
Department of the Treasury
Internal Revenue Service

Employer-Provided Health Insurance Offer and Coverage

► Information about Form 1095-C and its separate instructions is at www.irs.gov/1095c.

VOID

600115

OMB No. 1545-2251

CORRECTED

2014

| Part I Employee | | | | | | Applicable Large Employer Member (Employer) | | | | | |
|--|--|--------------------------------|--|--|--|--|--|----------------------|-----------------------------|---|--|
| 1 Name of employee | | 2 Social security number (SSN) | | 7 Name of employer | | 8 Employer identification number (EIN) | | | | | |
| Cook, Jayne | | 765914213 | | Coconino Community College | | 860795123 | | | | | |
| 3 Street address (including apartment no.) | | | | | | 9 Street address (including room or suite no.) | | | 10 Contact telephone number | | |
| 2487 N. Butler Avenue | | | | | | 2800 S. Lone Tree Rd | | | (928)2264252 | | |
| 4 City or town | | 5 State or province | | 6 Country and ZIP or foreign postal code | | 11 City or town | | 12 State or province | | 13 Country and ZIP or foreign postal code | |
| Flagstaff | | Arizona | | 86004 | | Flagstaff | | Arizona | | 86005 | |

| Part II Employee Offer and Coverage | All 12 Months | Jan | Feb | Mar | Apr | May | June | July | Aug | Sept | Oct | Nov | Dec |
|--|--|-----|-----|-----|-----|-----|------|------|-----|------|-----|-----|-----|
| | 14 Offer of Coverage (enter required code) | 1C | | | | | | | | | | | |
| 15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage | \$ 20.00 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 16 Applicable Section 4980H Safe Harbor (enter code, if applicable) | 2C | | | | | | | | | | | | |

Part III Covered Individuals

If Employer provided self-insured coverage, check the box and enter the information for each covered individual.

| | (a) Name of covered individual(s) | (b) SSN | (c) DOB (if SSN is not available) | (d) Covered all 12 months | (e) Months of Coverage | | | | | | | | | | | |
|----|-----------------------------------|-----------|-----------------------------------|---------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | | | | | Jan | Feb | Mar | Apr | May | June | July | Aug | Sept | Oct | Nov | Dec |
| 17 | Cook, Sophie | 555142135 | 04/28/00 | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| 18 | Cook, Taylor | 867530914 | 01/23/03 | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| 19 | | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 20 | | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 21 | | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 22 | | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 60705M

Form **1095-C** (2014)

Faculty and Staff Without Benefits

I work at CCC
but do not currently
qualify for
employer-sponsored
health benefits.
What option do I have
under the ACA?

- ▶ Health Insurance Marketplace offers you “one-stop shopping” to find and compare private health insurance options.
- ▶ Who can assist me with Health Insurance Marketplace information, costs, subsidies and online applications?
 - ▶ Federally-certified representatives in the marketplace can help you evaluate your coverage options and costs and complete an application.
 - ▶ Visit www.healthcare.gov
 - ▶ 1.800.318.2596



Employment Considerations

How does this affect Coconino Community College?

Unique Rules and Challenges for Higher Education

Tracking for Higher Education

- ▶ High percentage of Variable employees
- ▶ Multi-Department employees
- ▶ Credit Hour Conversions
- ▶ Breaks in Service

Business Impact

- ▶ Potential Increase in Benefit Enrollments
- ▶ Managing Compliance
- ▶ Budgeting/Forecasting
- ▶ Notifications
- ▶ Federal Reporting

Understanding the Penalties

Why is this so important to get right?

4980H(a)

- ▶ Coconino Community College fails to offer “full-time” employee(s) minimum essential coverage during a given month.
- ▶ “Full-time” employee(s) enroll in the Marketplace and receive a premium tax subsidy.
- ▶ Penalty: \$2,000/year (\$2,000/12x number of months)
- ▶ Penalty is **per employee** even if just one employee enrolls in the marketplace and receives a subsidy.
- ▶ CCC is not subject to the penalty if substantially all (95%) of the full-time employees were offered insurance.

Potential for error:

- ▶ 658 W2's issued in 2014**
- ▶ 150 full-time benefit eligible faculty and staff.
- ▶ 450 part-time faculty, staff, students and temporary workers.
- ▶ **Penalty:**
- ▶ \$2,000/year or \$167/month per employee
- ▶ 628 (W2's) x \$167.00= \$104,876/month
- ▶ \$104,876 x 12 months= **\$1,258,512 million per year**

** Based on approximate numbers for purposes of this presentation only.



4980H(b) Penalty

- ▶ This penalty may be assessed if a “full-time” employee enrolls in the exchange/marketplace AND that employee is able to receive a subsidy because the employer coverage is:
 - ▶ Unaffordable
 - ▶ Does not provide minimum value

Penalty Calculations

- ▶ Penalty is calculated per month, per employee who received subsidy.
- ▶ For example Patty received a subsidy in December:
- ▶ $\$3,000 / 12 \text{ months} \times 1 \text{ month (December)} = \250.00 Penalty

References

- ▶ Govtrack.us
- ▶ HealthCare.gov
- ▶ IRS.gov
- ▶ U.S. Department of Human and Health Services
- ▶ Segal Consulting
- ▶ Kaiser Family Foundation



Questions?



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