

Benefits Buzz

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Health Care Reform Proposed Employer Responsibility Regulations

A proposed rule was released on the Affordable Care Act's (ACA) minimum value and affordability rules. An employer's health plan provides minimum value if the plan's share of total allowed costs of benefits provided under the plan is no less than 60 percent. An employer's health plan is considered affordable if an employee's contribution for self-only coverage does not exceed 9.5 percent of income.

The proposed rule includes special provisions for determining how HRA and HSA contributions and wellness program incentives are counted when determining minimum value and affordability.

Under the proposal, employer HSA contributions for the current plan year are only taken into account for minimum value. Since HSAs generally cannot be used to pay health insurance premiums, these amounts are not used for affordability.

Amounts newly made available under an HRA for the current plan year are used for minimum value if they may only be used for cost-sharing. If the HRA amounts can be used for paying insurance premiums, they are used for affordability and not minimum value.

In general, minimum value and affordability are determined by assuming that every eligible individual fails to satisfy a wellness program's requirements, unless the wellness program is related to tobacco use. For tobacco wellness programs, employers may assume that every eligible individual receives the incentive.

Under a transition rule for qualifying wellness programs in place on May 3, 2013, if a health plan would provide minimum value or be affordable with the wellness incentive included, the employer can avoid a penalty for the 2014 plan year.

DID YOU KNOW

The IRS released slightly higher figures for 2014 for HSA contribution limits and out-of-pocket expense limits under a high-deductible health plan (HDHP):

HSA contribution limits:

- Individual: \$3,300
- Family: \$6,550

HDHP out-of-pocket expense limits:

- Individual: \$6,350
- Family: \$12,700

Design-based Safe Harbor Checklists

Certain safe harbor plan designs will automatically satisfy ACA's minimum value requirement. The following plan designs are proposed as safe harbors:

- \$3,500 medical and drug deductible, 80 percent plan cost sharing and \$6,000 maximum out-of-pocket limit for employee cost-sharing
- \$4,500 medical and drug deductible, 70 percent plan cost sharing, \$6,400 maximum out-of-pocket limit and \$500 employer contribution to an HSA
- \$3,500 medical deductible, \$0 drug deductible, 60 percent plan medical expense cost-sharing, 75 percent plan drug cost-sharing, \$6,400 maximum out-of-pocket limit and drug copays of \$10/\$20/\$50 for the first, second and third prescription drug tiers, with 75 percent coinsurance for specialty drugs.

Note: The \$6400 maximum out-of-pocket limits in these designs are higher than the 2014 limit for non-grandfathered group health plans. However, these are not necessarily inconsistent and a plan that satisfies the 2014 limits should also satisfy the safe harbor.