

Affordable Care Act (ACA) Bill 03.23.10; Reconciliation 03.30.10

Regulatory Reporting Education Calendar Year 2017

Political Subdivision Synergy

Engaged in Managing the Healthcare Dollar by Optimized
Efficient Performance Based Outcome

October 31, 2017 3:00

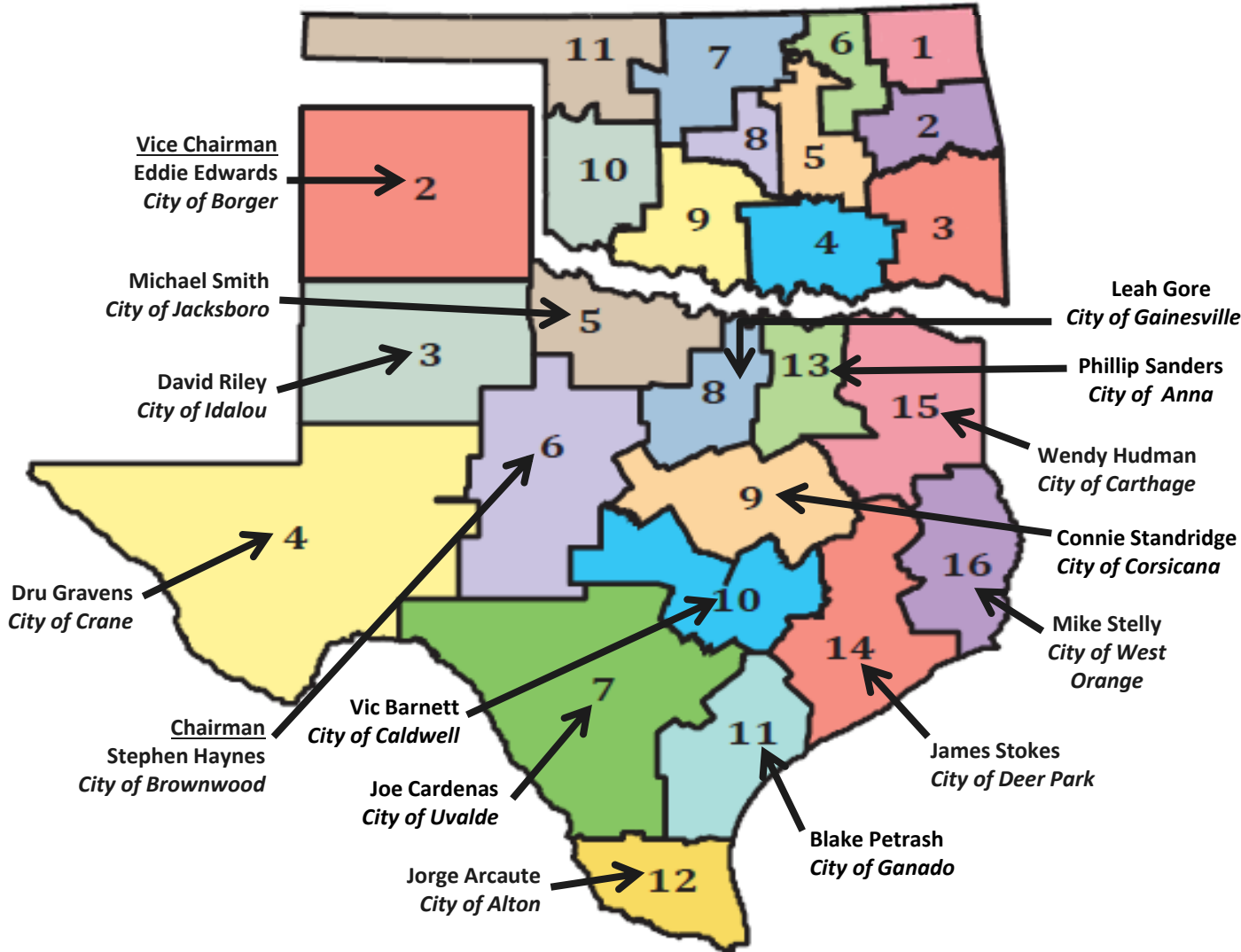
November 7, 2017 3:00

To comply with IRS regulations, we are required to notify you that any advice contained in this material that concerns federal tax issues was not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax related penalties under the Internal Revenue Code, (ii) promoting, marketing, or recommending to another party any matters addressed herein.

Board of Trustees: 2016-2017 Plan Year

Mission Statement

To provide excellent service offering competitive health benefits and administrative services to eligible municipalities and other governmental entities in Texas and other states by utilizing innovative, viable, affordable alternatives while maintaining financial integrity



- Trustees at Large**
Appointed by Chair
 Bill Storey
 Dr. Lew White
 Mike Slye
 Glen Metcalf
 Richard Browning
 Larry Fields
- Ex-officio Trustees**
 Bennett Sandlin
 Terry Henley
 Andres Garza

Trustee Support

- ▶ Direct the organization in the best interests of the members
- ▶ Protect the interests of the organization's membership
- ▶ Respect the membership by listening, communicating and understanding their interest
- ▶ Reflect on the organization's performance
- ▶ Select talented people to lead the organization
- ▶ Inspect the performance of the organization



Excise Tax after December 31, 2019: 2020

Regulatory Requirement	Definition	Penalty Amount
<ul style="list-style-type: none"> ▪ Excise Tax 2018/Delayed until 2020: Congressional Budget Office predicts the nation’s employers will pay over \$3 billion for the Cadillac tax in 2018, but, with healthcare costs increasing faster than inflation, it expects the burden on employers to rise, doubling to \$6 billion in 2019. ▪ Unless employers transition to high deductible health plans ▪ Taxable period will be the calendar year for all plans. ▪ The “Cadillac” tax on high-end insurance plans is also under bipartisan political fire. Recent studies show that about a quarter of employers who offer health plans would be subject to the tax, which goes into effect in 2018. ▪ Discussion Cadillac Tax vs. Capping the Tax Exclusion. Debate under current law, the value of both employer and most employee contributions for health insurance are excluded from employee federal income tax and employer and employee payroll taxes. 	<ul style="list-style-type: none"> ▪ Individual \$10,200; Family \$27,500 (second notice released by IRS February 23, 2015) ▪ Retirees and High Risk Professions Individual \$11,850; Family \$30,950 ▪ Administrative Penalty July 20, 2015 the Treasury Department and Internal Revenue Service released Notice 2015-52, which offers additional guidance regarding the implementation of the Excise Tax on High Cost Employer-Sponsored Health Coverage. ▪ <i>December 2015: The budget deal negotiated on Capitol Hill would strike a \$35 billion hold in Obamacare's financing, but the real concern that is now scaring economists is that the moratorium on three taxes is just the start of permanent repeal.</i> ▪ <i>The 2 year delay of the Affordable Care Act's Cadillac Tax on high-cost health plans will eliminate nearly \$16 billion in government revenue.</i> 	<ul style="list-style-type: none"> ▪ 40% Excise Tax Taxable Years beginning after December 2017 <ul style="list-style-type: none"> ‣ [40% x (coverage divided by threshold) = amount of applicable tax liability] ‣ Considering the filing of Form 720, quarterly Federal Excise Tax Return, as the appropriate method for the payment of the tax ▪ Taxable Period <ul style="list-style-type: none"> ‣ Calendar Year ▪ Coverages in Discussion “applicable coverage” <ul style="list-style-type: none"> ‣ Employer Funded Premium/Contributions ‣ Employer Funded Section 125 Plans ‣ Employer Contributions to HSAs ‣ On-Site medical clinics excluded if offer only to active medical employees ‣ Limited scope dental and vision ‣ Employee Assistance Programs ▪ Non-Applicable coverage <ul style="list-style-type: none"> ‣ Accident, disability ‣ HSAs funded with employee after tax contributions ‣ Long Term Care ‣ Insured stand-alone dental and vision ‣ Fixed dollar indemnity and specific disease or illness “excepted benefits” (if 100% funded after tax by employee) ▪ Responsible Party to Pay Excise Tax (In Comment) <ul style="list-style-type: none"> ‣ Self-Funded Employer ‣ Plan Administrators ▪ Payment of the Tax: The Treasury and IRS are considering using the existing Quarterly Federal Excise Tax Return (Form 720) as the vehicle for paying the tax.

ACA Annual Plan Notification Requirements

- ▶ CHIPRA/Medicaid Notice
- ▶ Medicare Part D Notice
 - Model individual disclosure notice of creditable coverage
 - Model individual disclosure notice of non-creditable coverage
- ▶ HIPAA Privacy Notice
- ▶ Women's Health and Cancer Rights Act Notice
- ▶ Newborns' and Mothers' Health Protection Act Notice
- ▶ Notice of Insurance Marketplace
- ▶ Insurance Marketplace Addition/Deletion as a Qualifying Event
- ▶ Plan Year Benefit Modifications

Patient Centered Outcome Research Institute (PCORI)

Plan Years Ending	Plan Years Starting (assumes 12 mo plan yr)	Due Date	PCORI Amt/ Est PMPY	Actual or Projected?
Jan.-Sep. 2017	Jan. 2, 2016 - Oct. 1, 2016	Jul. 31, 2018	\$2.26	Projected
Oct.-Dec. 2017	Oct. 2, 2016 - Jan. 1, 2017	Jul. 31, 2018	\$2.36	Projected
Jan.-Sep. 2018	Jan. 2, 2017 - Oct. 1, 2017	Jul. 31, 2019	\$2.36	Projected
Oct.-Dec. 2018	Oct. 2, 2017 - Jan. 1, 2018	Jul. 31, 2019	\$2.46	Projected
Jan.-Sep. 2019	Jan. 2, 2018 - Oct. 1, 2018	Jul. 31, 2020	\$2.46	Projected

Pending Regulatory Compliance Deadlines/3 year Record Retention

- ▶ IEBP Solutions for Regulatory Reporting 6055 and 6056 Calendar Year 2017
 - IEBP will purchase at bulk rates Individual Transmittals in 10,000 increments. Employer will be billed for the following:
 - Transmittal corrections will be an additional \$0.9130/**\$1.10** fee per employee individual transmittal plus admin fee
 - ACA Requirement Deadline Date
 - 1095-C forms delivered to employees: 1/31/2018
 - Paper Filing with IRS: 2/28/2018
 - e-Filing with IRS: 3/31/2018
 - Affordability: Healthcare Costs < 9.69 in Box 1 W-2 Form
 - Essential Benefits
 - Maximum Out of Pocket (MOOP) Compliance

Reporting Requirement	Employee Date	IEBP Date	IRS Date
Individual Transmittal Delivered to Employee	January 31, 2018		
Aggregate Reporting Paper Filing < than 250 W-2 Forms			February 28, 2018
Aggregate Reporting IEBP/Greatland Electronic E-Filing Download to IRS			March 31, 2018

W-2 The vast majority of individual taxpayers will not be affected by this extension. Like last tax filing season, most individuals will simply check a box on their tax return indicating they had health coverage for the entire year.

If the due date falls on a Saturday, Sunday, or legal holiday, you can provide the copy on the next business day.

Form Use

- ▶ Individual Mandate 6055 - Use (ALE and Non-ALE Fully-Funded Plans)
 - Form 1094-B (fully insured transmittal to the IRS)
 - Form 1095-B (fully insured individual transmittals to employees and reports to IRS)

- ▶ Employer Mandate 6056 - Use (ALE Self-Funded Employers > 50 employees)
 - Form 1094-C (ALE transmittal to the IRS)
 - Form 1095-C* (ALE individual transmittals to employees and reports to IRS)

Important Information

1095-B (Health Coverage)

- ▶ What does Employee Need to Do?
 - Fully-Funded Plans ALE and Non-ALE
 - Ensure Employer has accurate demographic, date of birth and social security information
 - Employee receiving the 1095-B form for documentation compliance for the Insurance Mandate
 - Keep Form 1095-B with other important tax information, like Form 1099 or W-2.
 - Self-Funded ALE
 - 1095-C form for documentation compliance for the Insurance Mandate
 - Keep Form 1095-C form with other important tax information like Form 1099 or W-2
 - Benefit Covered Individual
 - Keep Form 1095-B or C forms with other important tax information like Form 1099 or W-2 information.
 - Other instructions are available at www.irs.gov/uac/about-form-1095-b.

Reporting Notification

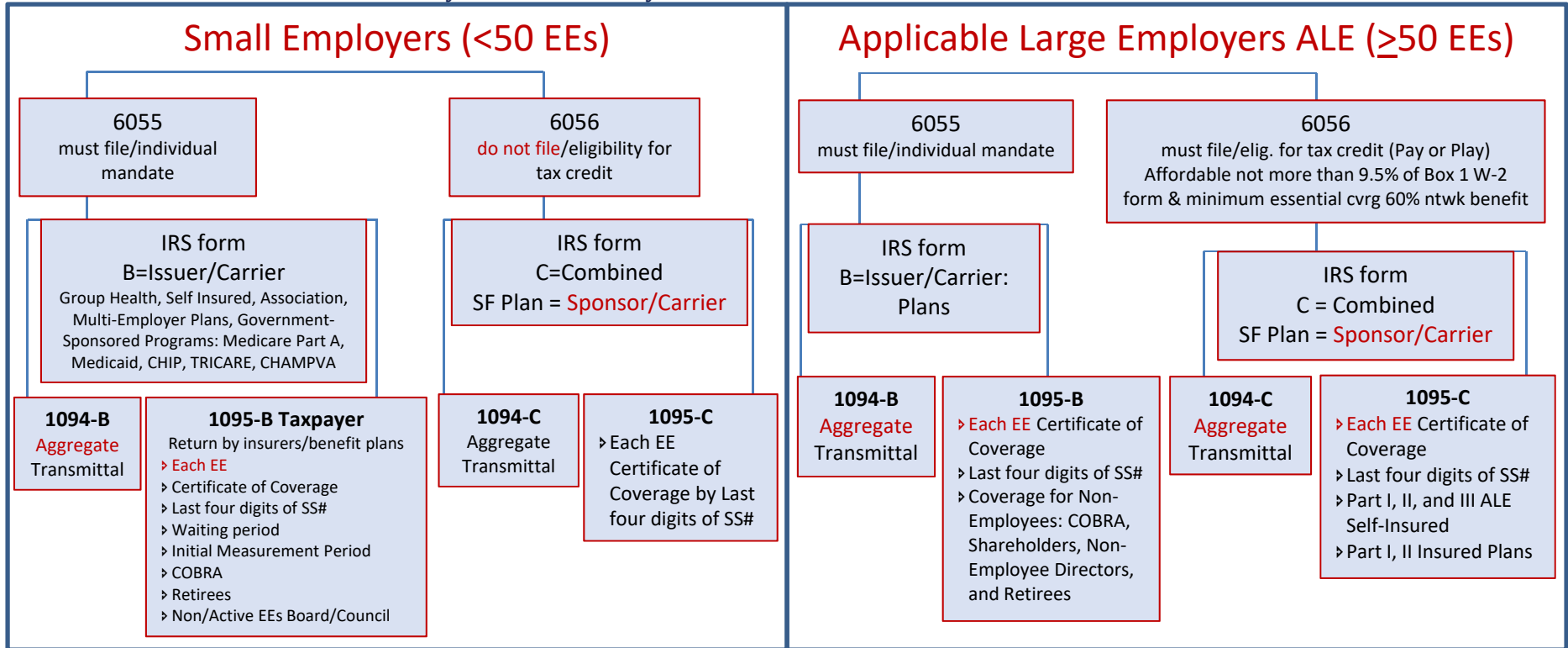
- ▶ What should the political subdivision do if they receive a notice from the Marketplace stating that an employee received a subsidy for individual health insurance?
 - Marketplaces are required to send notices to employers regarding employees who purchase coverage through the Marketplace and qualify for a subsidy.
 - The notice will be sent regardless of whether an employer is subject to the play or pay mandate and are not intended to be an official notification of excise taxes under Internal Revenue Code Section 4980H.
 - The notice the employer receives will identify the employee, indicate the employee has been determined eligible for a Marketplace subsidy and notify the employer that it may be liable for the excise tax assessed under Code Section 4980H, and if so, that the employer has a right to appeal the decision.
 - This is the employer's opportunity to correct the information provided by the employee if it is inaccurate and protect the employer from later being incorrectly assessed an excise tax.
 - Employers may choose not to appeal and see if the IRS attempt to assess excise taxes following the employer's 6056 reporting in early 2016.

Reporting Notification

- ▶ What should the political subdivision do if they receive a notice from the Marketplace stating that an employee received a subsidy for individual health insurance?
 - Employers will be allowed 90 days from the date of the subsidy notice to request an appeal and submit relevant evidence to support the appeal.
 - The Marketplace will accept appeal requests by telephone, mail, via the internet, or in person (if possible) and will provide assistance if requested.
 - Employers should remember, that these notices are NOT an official notification of excise taxes under Internal Revenue Code Section 4980H.
 - This assessment likely would not be received until mid-2016 or later, and the employer could challenge the assessments at that time.
 - An employer choosing not to appeal a Marketplace notice may want to inform the employee it believes he or she should not be receiving a subsidy and should discuss the matter with the Marketplace representative to avoid a possible subsidy payback situation.

Calendar Year 2017 Minimum Essential Benefit Coverage Regulatory Reporting Requirements

Individual Transmittal delivered to employees by 1.31.18; <250 W-2 Forms may be filed by paper by February 28th; >250 W-2 Forms will be filed electronically by March 31st. IEBP will file all employer aggregate files electronically by March 31st. If a deadline date falls on Sat/Sun/Legal Holiday-next business day will be due date. Transitional Relief Terminations



For Section 6055 1094-B Aggregate 1095-B Taxpayer:

- Reporting required by anyone that provides minimum essential coverage.
- Affordability Healthcare Cost: ≤9.69% Box 1 W-2 Form
- This report is used to determine months in which an individual is covered by minimum essential coverage. (Section 5000A)
- Essential Benefits:** The 2010 Affordable Care Act (ACA) set forth the following ten categories of essential health benefits (minimum value at least 60% network cost, not in excess of PPO or IRS MOOP requirements: Ambulatory patient services (outpatient care) | Emergency services | Hospitalization (inpatient care) | Maternity and newborn care | Mental health and substance use disorder services | Prescription drugs | Rehabilitative and habilitative services and devices | Laboratory services | Preventive and wellness services and chronic disease management | Pediatric services, including oral and vision care; Health insurance plans must cover these benefits, i.e.: they must cap employee's out-of-pocket spending and must not limit annual and lifetime coverage; waiting periods not in excess of 90 days

For Section 6056 1094-C Aggregate 1095-C Taxpayer:

- Information about the employer offering coverage (incl. contact information and # of full-time employees).
- For each full-time EE, information about the coverage (if any) offered to the EE, by month, incl. the lowest EE cost of self-only coverage offered.
- This report is used to determine an EE's eligibility for premium tax credit. (Section 4980H)
- ALE Benefit Recipients documented by Measurement/Stability/Look Back Periods**
 - Biologic and Adoptive dependent children to attained age of 26
 - Seasonal Employees who work 120 days a year
 - Full-time and Part-time Equivalent Employees: 30 hours a week/130 hours a month/1560 hours a year
 - Paid interns, work study, and Grant employees
 - Contract employees per State Law and Contract
 - Volunteer Firefighters, worker's compensation employees and COBRA participants in review
 - Employees with a break in their work schedule of more than 13/26 weeks will be considered a new hire.
- Employee Census Count toward ALE classification, Exclude VA employees**

File: Department of Treasury, IRS Center, Austin, TX 73301; Oklahoma- Department of Treasury, IRS Center, Kansas City, MO 64999
Penalties are reported on IRS Form 8928. Reporting penalties under sections 6721 and 6722. Penalty Relief 2015 if good faith effort is documented.

ALE/Non ALE Census Count

- ▶ Applicable Large Employer (ALE) defined as ≥ 50 Full Time Employees or Full Time Equivalent Employees
 - Full Time Equivalent defined as total up part time hours divide by 30 hours a week, 130 hours a month or 1560 hours a year
 - Consecutive six month part-time position hours are included and converted into the full time equivalent calculation
- ▶ Full Time defined as 30 hours a week, 130 hours a month, 1560 hours a year
 - Additional Benefit Requirement for biologic/adoptive dependents to attained age 26
- ▶ On Call hours not directed to be used to determine hours of service unless called to work
- ▶ Employee Defined as non Veteran Administration, active or retiree who access the benefit plan
- ▶ Paid intern should be considered an employee if salary in excess of reasonable allowance for expenses
- ▶ Paid seasonal employee who work consecutive 120 days should be considered an employee
 - Non count of these employees was requested but not approved
- ▶ Paid variable hour employees who work consecutive 120 days should be considered an employee

ALE/Non ALE Census Count

- ▶ Spouses of Retirees who are not eligible for Medicare A and/or B that are enrolled in the Plan
- ▶ Union Employees
- ▶ Contract Employees will be included/excluded per State Law
- ▶ Grant Employees
- ▶ Debate if COBRA and Worker's Comp count toward aggregating Census Participants that do not work 30 hours a week
- ▶ Volunteer Fire Fighters are still in Discussion
 - Stated Volunteer Fire fighters and emergency medical providers un a municipal deferred compensation plan are still in debate if they are bona fide volunteer
 - Typically, Bona fide volunteers are excluded
- ▶ Members of Religious Order Outstanding
- ▶ Look Back Period Calculations are NOT used for ALE/Non ALE Census Counts
- ▶ High Turnover Positions could be a liability of full-time equivalent position is not counted in measurement period
- ▶ H-2A and H-2B employees are exempt for m the definition of employee

Discussion Items with ALE and Non-ALEs

Trust and IEBP Self Funded Pool Filing Discussion

1. IEBP is a self-funded entity and we take risk on behalf of our Pool membership
2. IEBP purchases stop loss at **\$750,000** specific deductible because we are self-funded.
3. The IEBP Pool is self-funded but we were coached that each one of our members were fully-funded under the IEBP self-funded umbrella.
4. Due to the above information, IEBP identified each one of our Pool members as “Employer Sponsored Coverage” for Non-ALE employers and for the ALEs we identified the employer as non self-funded.
5. These decisions created no dependent drops on the 1095-C. The dependents did drop on the 1095-B.

1095-C may be delivered Electronically to Employees

- ▶ Identical requirements to Electronic W-2 form
 - The employee must affirmatively consent to receive Form 1095-C in an electronic format.
 - The consent may be made electronically in a manner that reasonably demonstrates that the employee can access the statement in the electronic format when furnished; alternatively, the consent may be made in a paper document that is confirmed electronically.
 - The consent may be made in a paper document that is confirmed electronically.
 - The consent requirement is NOT satisfied if the employee withdraws the consent, and the withdrawal takes effect before the statement is furnished.

Electronic Individual Transmittal Required Disclosures

- ▶ The employer must provide the employee with a clear and conspicuous disclosure statement containing each of the following disclosures before or at the time of the employee's affirmative consent:
 - Employer must inform the employee that the Form 1095-C will be furnished on paper if the employee does not consent to receive it electronically
 - The employer must inform the employee of the scope and duration of the consent
 - The employer must inform the employee of any procedure for obtaining a paper copy of Form 1095-C after giving consent to receive the statement in an electronic format and whether a request for a paper statement will be treated as a withdrawal of consent
 - The employer must inform the employee that he/she may withdraw a consent by writing (electronically or paper) to the person or department whose name, mailing address, telephone number, and email address is provided in the statement; the employer will confirm the withdrawal and the date on which it takes effect, in writing (electronically or on paper) and a withdrawal of consent does not apply to a statement that was furnished electronically before the date on which the withdrawal of consent takes effect
 - The employer must inform the employee of the conditions under which the employer will cease furnishing Form 1095-C electronically (for example, after termination of the employee's employment)

Validation System Overview

- ▶ System appearance, functionality and navigation is same as last year
- ▶ Standard Internet Browser Support: Internet Explorer, Chrome, FireFox
- ▶ Daily Data Download
 - Records refreshed daily unless already validated
 - New hires added as they occur
 - Terminations updated (if not previously validated)
- ▶ Filtering
 - All Year Employees
 - New Hires
 - Terminated Employees
 - All Members
 - Second level filter for “Need Review” or “Completed”
- ▶ Regulatory Reporting Data Validation Guide
- ▶ Extract of data to Excel
- ▶ After data is validated and submitted it is edited for IRS acceptance
- ▶ Forms 1095-B or 1095-C are printed or emailed to employee

Demo of Validation System

- ▶ Login – normal fund contact access
 - Select “Regulatory Reporting” under the Regulatory Reporting dropdown
- ▶ Points to Note
 - Data presented is current as of the previous day if not previously validated
 - Records that have been validated remain unchanged
 - Importance of Group Name and EIN – Must match IRS records (See your W-9)
 - Importance of SSN and Name – Must match IRS records (Per W-2 data submission)
 - Data is not accessible for update after final submission and processing by IEBP
 - Individual records can be edited after clicking “Submit/Verify” if the final “Submit” of all employer data has not yet been done
 - Validation can be started as soon as IEBP makes it available in November but remember that you may have to update manually for any changes
 - Do not submit your data before January 1, 2018 to ensure all data is as of year-end
 - Reference the Regulatory Reporting Validation Guide or contact your marketing representative if you have questions

Have a Great Day!

Your Time is Appreciated