

Employer Health Care Reporting, Notification: Prepare Now

By Stephen Miller

Beginning in 2011, all U.S. health insurance plans must start to comply with new disclosure requirements, subject to forthcoming regulations from federal agencies. Much remains to be determined about these disclosures, but a few points are highlighted in the Patient Protection and Affordable Care Act itself, including requirements that large employers must report:

- Whether they offer to their full-time employees (and their dependents) the opportunity to enroll in minimum essential coverage under an eligible employer-sponsored plan.
- The length of any applicable waiting period.
- The lowest cost option in each of the enrollment categories under the plan.
- The employer's share of the total allowed cost option in each of the enrollment categories under the plan.
- The number and names of full-time employees receiving coverage.

In 2012, employers will be required to disclose the value of the benefits they provide for each employee's health insurance coverage on the employee's annual Form W-2. The set of forms going out in 2012 will reflect coverage provided in 2011 (see box below for more on this reporting requirement).

Employee Notifications

By March 31, 2013, employers must notify employees about state health insurance exchanges, whether the employer's plan meets minimum coverage requirements, and how to access information regarding premium subsidies that might be available for exchange-based coverage.

Steps to Take

Employers should take initial steps to address the short-term and long-term implications of health care reform, including the new reporting and notification requirements, advises consultancy Hewitt Associates. These steps include:

- Performing a detailed financial impact analysis.
- Communicating the immediate and long-term impact to employees.
- Developing an administration and compliance strategy, along with a transition plan to meet the varying effective dates.
- Adjusting income statements, and the reporting of liability for retiree benefit obligations under Financial Accounting Standards Board statements FAS 109 and 106, to reflect changes in retiree health care obligations. These changes include, beginning in 2013 (but subject to immediate reporting under accounting rules), elimination of the deduction for the federal retiree drug benefit subsidy.

Get Ready for New Plan Reporting Requirements

Despite the new compliance burdens, "the upside is that these requirements will be spread over a number of years," says Ed Pudlowski, a principal with Ernst & Young's HR advisory practice, based in Dallas. He notes that employers have time to get up to speed on the reforms and their compliance-related requirements.

"In 2011, employers need to make sure their plan meets the minimum requirements," he advises. For large-employer plans, that means ensuring that their benefit provisions cover dependent children up to age 26 and that they remove their lifetime limits and "unreasonable annual limits, however that may be defined by the Secretary of Health and Human Services (HHS)." They should make appropriate plan changes, and ensure that they included that information in their plan document.

This will require employers to work with their insurers and, for self-insured plans, with their third-party administrator (TPA), Pudlowski notes, because "even if they outsource this function, it's the employer's responsibility to make sure that the documentation is up to date."

Also in 2011, the exclusion for over-the-counter-drugs from flexible spending accounts, health reimbursement arrangements and health savings accounts takes effect (see the *SHRM Online* article [Reform Creates Opportunities, Uncertainties for Consumer-Directed Plans](#)). "Employers will need to modify those plan documents and get the appropriate communications out to employees," Pudlowski says.

A big requirement in 2012 is reporting the value of employees' health care costs on their W-2 forms for tax year 2011. "Employers can leverage off of their COBRA-rate calculations to provide this information," Pudlowski says. "The way organizations develop their COBRA rates, they take the overall average value and tier it based on whether it's an individual or family contract. The only difference here is that employers will have to remove the COBRA administrative surcharge in the COBRA premium to get back to the overall value."

But where do you put that information on the W-2? Expect guidance from IRS on that and other matters, Pudlowski says.

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