

Health Care Reform Update

The employer mandate is in full swing for 2016. The mandate applies only to large employers (those with 50 or more full-time equivalent employees). For 2015, the mandate covered employers with 100 or more full-time equivalent workers.

These large employers must offer health coverage that is “affordable” and that provides “minimum value” to their full-time employees and their dependents or pay a penalty. Full-time employees are those employed on average of at least 30 hours a week.

Employers who fail to comply will be subject to one of two penalties:

1. If the employer doesn't offer coverage to at least 95% of their full-time employees, they pay a penalty.
 - a. For 2016, the fine equals \$2,160 times their total number of full time employees, minus 30.
2. If the employer doesn't offer affordable health insurance, they pay a penalty. For 2016, coverage is affordable if the required premium pay in from a worker for self-only coverage doesn't exceed 9.66% of total household income.
 - a. For 2016, the fine is equal to \$3,240 for each full-timer employee who gets a subsidy for exchange-bought insurance.

Subsidy Notices from the Exchanges

Some employers have started to receive subsidy notices from the exchanges. Health insurance marketplaces are sending notices to employers when employees receive advance premium tax credits from the exchanges to help pay health insurance premiums. It should be noted that the notices are going to a limited number of employers – those whose employees provided the exchange with the employer's address when they bought health coverage. The notice itself does not assess a penalty, but if you get a notice, you'll want to review the notice promptly to make sure the information is correct. You have 90 days to appeal if you believe you provide employees with qualified coverage.

Assessment of Fines Notices to Employers

These subsidy notices mentioned above are completely separate from IRS's assessment of fines. The Internal Revenue Service will let employers know whether they owe a penalty. IRS will first send out a preliminary notice to employers of their potential liability and give them a chance to respond before officially assessing the monetary payment. This agency hasn't begun sending its assessment of fines letters and they don't anticipate doing so until year-end, at the earliest. They are still in the process of reviewing the information from the exchange, the data on Form 1095 health returns that were required to be filed for the first time this year by large employers, and the income tax returns of employees who claimed the premium credit.

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For a complete overview of the Affordable Care Act, visit <https://www.irs.gov/affordable-care-act>.