

2017 Health Care Reform Checklist



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This checklist is designed to help employers who sponsor group health plans review their compliance with key provisions of the [Affordable Care Act](#) (ACA) for 2017. If you have any questions regarding your responsibilities, please contact a knowledgeable employment law attorney, benefits advisor, or your carrier.

Please Note: This list is for general reference purposes only and is not all-inclusive. The information is subject to change based on new requirements or amendments to the law. Additionally, your company or group health plan may be exempt from certain requirements and/or subject to more stringent rules under your state's laws.

1. Evaluate Grandfathered Status of Group Health Plan

*A grandfathered plan is one in existence as of March 23, 2010 that has covered at least one person continuously from that day forward. Grandfathered plans **do not have to comply with certain ACA rules.***

- ✓ Determine whether any changes to the plan that reduce benefits or increase costs to employees and dependents enrolled in coverage result in a loss of [grandfathered status](#).
- ✓ **If the plan loses grandfathered status**, confirm that the plan design and benefits offered reflect all [ACA requirements](#) that previously did not apply because the plan was exempt (such as coverage of preventive services without cost-sharing).
- ✓ **If the plan remains grandfathered**, provide a [Notice of Grandfathered Status](#) whenever a summary of plan benefits is provided to participants and beneficiaries. Continue to maintain records documenting the terms of the plan that were in effect on March 23, 2010, and any other documents necessary to verify grandfathered status.

2. Review Plan Documents for Required Changes to Plan Benefits

Certain requirements apply to particular plan designs, as noted below.

All Group Health Plans:

- ✓ Ensure that any **waiting period**—the time that must pass before coverage can become effective for an employee or dependent that is otherwise eligible to enroll in the plan—does not [exceed 90 days](#). (Other conditions for eligibility that are not based solely on the lapse of a time period are generally permissible.)
 - If the plan requires completion of an employment-based orientation period as a

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condition for eligibility, ensure the orientation period **does not exceed one month** and the maximum 90-day waiting period begins on the first day after the orientation period. (**Note:** Employers subject to "pay or play" may not be able to impose the full one-month orientation period and the full 90-day waiting period without potentially becoming subject to a penalty.)

- ✓ Confirm that no **annual dollar limits** apply to coverage of "[essential health benefits](#)." If the plan limits the number of visits to health providers or days of treatment, verify that the visit or day limit does not amount to a dollar limit.
- ✓ Verify that **no preexisting condition exclusions** are imposed on any individual, regardless of age.
- ✓ Ensure that an **employer payment plan** is not in place (an arrangement under which an employer reimburses an employee for some or all of the premium expenses incurred for an individual health insurance policy, or uses its funds to directly pay the premium for an individual policy). (Transition relief granted to small employers sponsoring employer payment plans **expired on June 30, 2015**.)

Non-Grandfathered Group Health Plans Only:

- ✓ For small group plans, confirm the plan covers "**essential health benefits**," or EHBs, a comprehensive [package of items and services](#). (This requirement does not apply to self-insured plans or plans offered in the large group market.)
- ✓ Ensure that annual [out-of-pocket costs](#) for coverage of **all** EHBs provided in-network do not exceed **\$7,150 for self-only coverage** or **\$14,300 for family coverage** for plan years beginning in 2017.
 - **Note:** For plan years that begin in or after 2016, the self-only maximum annual limitation on cost-sharing applies to **each individual**, regardless of whether the individual is enrolled in self-only coverage or other coverage that is not self-only coverage under a group health plan.
 - Plans with more than one service provider may structure a benefit design using separate out-of-pocket limits across multiple categories of benefits (rather than reconcile claims across multiple service providers), provided the combined amount of any separate out-of-pocket limits applicable to all EHBs under the plan does not exceed the annual limit.
 - A plan that includes a network of providers may, but is not required to, count out-of-pocket spending for out-of-network and non-covered items and services toward the

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plan's annual maximum out-of-pocket limit.

Note: Certain businesses may be allowed to [renew existing group coverage](#) that does not comply with the requirements to cover essential health benefits and limit annual cost-sharing under the plan, through policy years beginning **on or before October 1, 2017, so long as the policy ends by December 31, 2017**. Not all states and insurers will permit coverage to renew. Businesses that are eligible to continue existing coverage will receive a notice from their insurance companies for each policy year.

3. Analyze Tax-Favored Arrangements

Employers who maintain HRAs, health FSAs, and cafeteria plans should confirm that these arrangements comply with several ACA changes that took effect in 2014.

Health Reimbursement Arrangements (HRAs)

- ✓ Confirm that the HRA (other than a retiree-only HRA or an HRA consisting solely of [excepted benefits](#)) is properly "**integrated**" with group health plan coverage in order to satisfy the [preventive services requirements](#) and the [annual dollar limit prohibition](#).
 - To be "integrated," an HRA must meet specific requirements under either of two methods described in [agency guidance](#), as modified by IRS [Notice 2015-87](#). Effective as of January 1, 2017, an HRA is permitted to be integrated with an employer's group health plan **only as to individuals who are enrolled in both the HRA and the group health plan**. (Part II of IRS Notice 2015-87 provides transition relief for plan years beginning before January 1, 2017 for certain qualifying arrangements.)
- ✓ Confirm that the HRA **is not being used to reimburse an employee's individual insurance policy premiums**. Such an arrangement [may be subject to](#) a \$100/day excise tax per applicable employee (which is \$36,500 per year, per employee).

Health Flexible Spending Arrangements (FSAs)

- ✓ Confirm that the health FSA **qualifies as excepted benefits** to comply with the [preventive services requirements](#).
 - Health FSAs are considered to provide only [excepted benefits](#) if the employer also makes available group health plan coverage that is not limited to excepted benefits and the health FSA is structured so that the maximum benefit payable to any participant cannot exceed two times the participant's salary reduction election for the health FSA for the year (or, if greater, cannot exceed \$500 plus the amount of the participant's salary reduction election).

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- ✓ Confirm that the health FSA is **offered through a cafeteria plan** (a plan which meets [specific requirements](#) to allow employees to receive certain benefits on a pre-tax basis) in order to comply with the [annual dollar limit prohibition](#).
- ✓ Ensure plan documents are amended to reflect that employee salary reduction contributions to health FSAs are limited to **\$2,600 annually** for tax year 2017.
 - The amendment to the written cafeteria plan may be expressed as a maximum dollar amount, a maximum percentage of compensation, or by another method of determining the maximum salary reduction contribution.
- ✓ Determine whether you will allow employees to carry over up to \$500 of unused health FSA amounts to use in the following plan year under the [modified "use-or-lose" rule](#), and adopt appropriate plan amendments. (A plan incorporating the carryover provision **may not also provide for a grace period** in the plan year to which unused amounts may be carried over.)

Cafeteria Plans Generally

- ✓ Determine whether you will allow employees to make **additional mid-year changes in salary reduction elections** in the event of an employee's enrollment in Health Insurance Marketplace coverage and/or a reduction in an employee's hours of service, as permitted in [agency guidance](#), and adopt appropriate plan amendments.
- ✓ Confirm that section 125 plan documents were amended to comply with the **prohibition on providing a qualified health plan** offered through the Individual Health Insurance Marketplace as a benefit under an employer-sponsored cafeteria plan.

4. Provide Required Notices to Employees and Dependents

Please contact your carrier or an employment law attorney if you have questions regarding these notices.

Availability of Health Insurance Marketplaces (Notice of Coverage Options)

- ✓ Provide a [written notice](#) with information about a Health Insurance Marketplace to each new employee at the time of hiring, **within 14 days of the employee's start date**. Employers are not required to provide a separate notice to dependents.
 - Two model notices are available to help employers comply with this requirement—one [notice](#) for employers that offer a health plan, and another [notice](#) for those that do not.

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Summary of Benefits & Coverage (SBC) and Notice of Plan Changes

- ✓ Confirm contractual arrangements with the carrier (insured group health plans) or third party administrator (self-insured plans) to prepare and provide the SBC. If the carrier or TPA does not assume responsibility, the employer should provide this notice (without charge) to employees and beneficiaries at [specified times during the enrollment process](#) and upon request.
 - For SBCs with respect to coverage that begins **on or after September 1, 2015**, employers that enter into a binding contract with another party to provide the SBC must satisfy [additional obligations](#), including monitoring compliance.
- ✓ Ensure that enrollees are provided with notice of any material modification that would affect the content of the SBC (and that occurs other than in connection with coverage renewal or reissuance) **no later than 60 days prior to the effective date of the change**.
- ✓ Utilize new versions of the SBC template and other related documents for use **on or after April 1, 2017**. ([Click here](#) for a list of all available templates.)

5. Comply With "Pay or Play" Responsibilities

Applicable large employers—generally, those with 50 or more full-time employees, including full-time equivalent employees—are subject to the ACA's employer shared responsibility ("pay or play") requirements. Due to the complexity of the law in this area, employers are strongly advised to work with knowledgeable employment law counsel to ensure full compliance.

- ✓ [Determine "applicable large employer" \(ALE\) status](#) for the upcoming calendar year by calculating the average number of full-time employees and full-time equivalents (FTEs) across the months in the current year. (Special counting rules apply for seasonal workers.)
 - **Employer Aggregation Rules:** Small employers that individually do not employ 50 or more full-time employees or FTEs **may still be subject to the requirements if they meet the threshold when combined with other companies under common ownership** or that are otherwise related.
 - **Note:** The rules for combining related employers do not apply for purposes of determining whether a particular company owes a penalty or the amount of any penalty. That is determined separately for each related company.
- ✓ Determine whether group health plan coverage will be offered to **full-time employees** (and their dependents), using the measurement methods and rules for calculating hours of service described in the "pay or play" [final regulations](#).

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- An employee is full-time for a calendar month if he or she averages at least 30 hours of service per week (or 130 hours for the month). The final regulations describe approaches that can be used for various circumstances, such as for employees who work variable hour schedules, seasonal employees, and employees of educational organizations.
- ✓ For ALEs offering coverage, review the cost of your group health plan coverage to determine whether it is **affordable**.
 - For plan years beginning in 2016, coverage is [affordable](#) if an employee's required contribution for self-only coverage does not exceed 9.66% of his or her household come for the taxable year. ALEs may use a number of [safe harbors](#) to determine affordability, including reliance on Form W-2 wages. (Note: While [previously released guidance](#) updated the affordability threshold to 9.69% for plan years beginning in 2017 for purposes of the premium tax credit, the affordability threshold regarding pay or play penalties for failing to offer health coverage and use of the affordability safe harbors has not been updated to reflect this increase.)
 - Under [proposed rules](#) first applicable for plan years beginning on or after January 1, 2017, the amount of any cash payment made available to an employee under an **opt-out arrangement** increases the employee's required contribution, **unless the arrangement constitutes an "eligible opt-out arrangement"** (an arrangement under which the employee's right to receive an opt-out payment is conditioned on: (1) the employee declining to enroll in employer-sponsored coverage; and (2) the employee providing reasonable evidence that the employee and his or her expected tax family have or will have minimum essential coverage—other than coverage in the individual market—during the period of coverage to which the opt-out arrangement applies). Refer to [IRS Notice 2015-87](#) (Q&A #9) to determine the treatment of opt-out arrangements for periods prior to January 1, 2017.
- ✓ For ALEs offering coverage, determine whether your group health plan coverage provides **minimum value**.
 - A plan generally provides [minimum value](#) if it pays for at least 60% of covered health care expenses. (Federal agencies have produced a [minimum value calculator](#) for employers to enter certain information about the plan. Other methods available to determine minimum value are described in [proposed regulations](#). However, results of the calculator—or any other method chosen—should be carefully reviewed with benefits counsel.)
- ✓ **Determine if a penalty may apply.** An ALE subject to "pay or play" may be liable for a penalty if it does not offer affordable health insurance that provides minimum value to its

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full-time employees (and their dependents), and any full-time employee receives a premium tax credit for purchasing individual coverage on the Health Insurance Marketplace. (Note: In determining if a penalty applies, ALEs should be aware of limited non-penalty periods provided for in the "pay or play" [final regulations](#), during which an ALE generally will not be subject to a penalty. In addition, for ALEs with non-calendar year health plans, certain [transition relief](#) continues to apply for any calendar month during the 2015 plan year that falls in the 2016 calendar year—information from the 2016 calendar year is reported in early 2017.)

6. Satisfy Information Reporting Requirements (Forms 1094 & 1095)

Information reporting is used to determine compliance with the ACA's individual responsibility and "pay or play" provisions. Reporting entities are required to report in early 2017 for coverage offered (or not offered) in calendar year 2016.

- ✓ Determine if you are a reporting entity (and what type) to understand applicable reporting requirements:
 - **"Section 6055" Reporting Entities.** Self-insuring employers (regardless of size) that provide **minimum essential health coverage** are required to report information on this coverage to the IRS and to covered individuals under section 6055 of the Internal Revenue Code.
 - **"Section 6056" Reporting Entities.** Employers with **50 or more full-time employees** (including FTEs) are required to report information to the IRS and to their employees about their compliance with "pay or play" under Internal Revenue Code section 6056.
- ✓ Compile the [required information](#) for section 6055 reporting and/or the [required information](#) for section 6056 reporting.
- ✓ Review the 2016 IRS Forms and Instructions:
 - [Forms 1094-B](#) and [1095-B](#), along with [Instructions](#), are available for **section 6055** reporting entities.
 - [Forms 1094-C](#) and [1095-C](#), along with [Instructions](#), are available for **section 6056** reporting entities (or employers that are subject to **both** reporting provisions).
- ✓ Determine whether to hire a **third party** to fulfill reporting responsibilities (reporting entities will still be liable for the failure to report information and furnish statements).
- ✓ For section 6056 reporting entities, determine whether you will use the [general method](#) of reporting or a [simplified alternative method](#) to satisfy the reporting requirements.

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- ✓ If the reporting entity plans to furnish statements **electronically** for the first time in 2017, or if prior consents only applied to the statements required to be furnished in prior reporting years, ensure that affirmative consent is obtained from employees prior to furnishing (section 6056 reporting entities **must also** ensure that certain notice, hardware, and software requirements are met).
- ✓ Remember to comply with the information reporting deadlines for calendar year 2016.

Section 6055 Deadlines (Forms 1094-B and 1095-B):

- IRS information returns must be filed **no later than February 28, 2017** (or March 31, 2017, if filed electronically).
- Individual statements must be furnished **on or before January 31, 2017**.

Section 6056 Deadlines (Forms 1094-C and 1095-C):

- IRS information returns must be filed **no later than February 28, 2017** (or March 31, 2017, if filed electronically).
- Employee statements must be furnished **on or before January 31, 2017**.

7. Other Action Items for 2017

The following outlines actions required for continued ACA compliance, as well as additional items that may be of significance for certain employers and group health plans.

- ✓ **Additional Medicare Tax for High Earners.** Remember to withhold [Additional Medicare Tax](#) (0.9%) on wages or compensation paid to an employee in excess of \$200,000 in a calendar year.
- ✓ **Coverage of Preventive Services.** Continue to monitor guidelines for [preventive services](#), which are regularly updated to reflect new scientific and medical advances. As new services are approved, non-grandfathered group health plans will be required to cover them with no cost-sharing for plan years beginning one year later.
- ✓ **Medical Loss Ratio (MLR) Rebates.** Distribute [rebates](#) received from insurance companies to eligible plan enrollees [as appropriate](#). Rebates are due to employer-policyholders by **September 30th**. These rules do not apply to employers who operate self-insured plans.
- ✓ **PCORI Fees.** Employers sponsoring certain self-insured health plans (including HRAs not treated as excepted benefits) are [responsible for fees](#) to fund the Patient-Centered

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Outcomes Research Institute (PCORI). IRS Form 720 must be filed annually to report and pay the fees no later than July 31st of the year following the last day of the plan year to which the fee applies.

- ✓ **Form W-2 Reporting of Employer-Provided Health Coverage.** Continue to [report the cost of health coverage](#) provided to each employee annually on Form W-2, which must be furnished to employees by January 31st each year, unless [transition relief](#) applies. (This requirement **does not apply to employers required to file fewer than 250 Forms W-2 for the preceding calendar year.**)
- ✓ **Simple Cafeteria Plans.** If eligible, consider whether your company could benefit from establishing a [simple cafeteria plan](#), which may be treated as meeting certain IRS nondiscrimination requirements.
- ✓ **Small Business Health Care Tax Credit.** Determine if your company qualifies for the [small business health care tax credit](#). For tax years beginning in 2014 or later, the credit is available to eligible employers for two consecutive taxable years. The maximum credit is 50% for small business employers; however, only premiums paid for qualified health plans offered through a Small Business Health Options Program (SHOP) count for the credit.
- ✓ **Transitional Reinsurance Program Fees.** The [Transitional Reinsurance Program](#) collects contributions from employers sponsoring certain self-insured plans that provide major medical coverage. Employers with self-insured plans may utilize a third party administrator or administrative-services-only contractor for transfer of the contributions. (Note: For the 2016 benefit year, a self-insured plan that does not use a third party administrator to perform its claims processing, claims adjudication, and enrollment functions generally **does not** have to pay these fees.) The 2016 benefit year contribution may be made in one payment (if remitted **no later than January 17, 2017**, reflecting \$27.00 per covered life)—or may be made in two separate payments, with the first contribution amount of \$21.60 per covered life remitted **no later than January 17, 2017**, and the second contribution amount of \$5.40 per covered life to be remitted **no later than November 15, 2017**.
- ✓ **Section 1557 Nondiscrimination Requirements (If Applicable).** Entities administering any health program or activity **that receives federal financial assistance** (such as hospitals that accept Medicare or doctors who accept Medicaid) must confirm compliance with the [final rule implementing section 1557 of the ACA](#), which prohibits discrimination on the basis of race, color, national origin, sex (including pregnancy, gender identity, and sex stereotyping), age, or disability. Changes to health benefit plan design must be made on the first day of the first plan year **beginning on or after January 1, 2017**. In addition, certain **notice and tagline requirements** must be met. For more on this notice requirement, [click here](#) (see "Procedural Requirements").

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