

## General Information Regarding the Patient Protection and Affordable Care Act

Landmark legislation reforming health care in the U.S., the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act of 2010, were signed into law on March 23 and March 30, 2010, respectively. These laws are commonly referred to as the Health Care Reform acts. The following are some of the highlights:

**Employer Mandates.** Employers with 50 or more employees that do not offer coverage to their employees will be subject to penalties if any employee receives a government subsidy for health coverage. The penalty amount is up to \$2,000 annually for each full-time employee, excluding the first 30 employees. Employers who offer coverage, but whose employees receive tax credits, will be subject to a fine of the lesser of \$3,000 for each worker receiving a tax credit or \$2,000 annually for each full time employee, excluding the first 30 employees. A formula will be used for part-time employees to calculate the number of full time equivalent employees in determining the penalty for not offering coverage. Essentially, each 120 hours per month of part-time work counts as a full-time equivalent for the purposes of the employer mandate.

**Wellness Programs.** Wellness incentives of up to 30 percent of the total premium are allowed, as long as the program meets certain conditions.

**W-2 Reporting Obligations.** Employers are required to report the value of health insurance on W-2s. Employer-provided health coverage remains non-taxable to employees (except for special situations, such as domestic partner or other non-dependent imputed income). The purpose of the W-2 information is to provide employees information on the cost of their health care coverage. There are exceptions for certain tribal governments, churches and small employers (required to file fewer than 250 Forms W-2). Multiemployer plans are exempt from the reporting requirement until further guidance.

**Medical Loss Ratios (MLRs).** Individual plans and small group market plans must have an MLR of 80 percent, meaning 80 percent of all premium dollars must be spent on medical care. Large employer group plans with 100 or more employees must have a minimum MLR of 85 percent. Health plans must provide rebates to enrollees if their medical loss ratios – the percentage of premiums spent on reimbursement for clinical services and activities that improve health care quality – do not meet the minimum standards for a given plan year.

**Lactation Accommodations.** A provision amended the federal Fair Labor Standards Act (FLSA) requiring an employer to provide an employee reasonable break time when the employee has a need to express breast milk, for up to one year after the birth of the child. If able to demonstrate undue hardship, an employer with fewer than 50 employees may not be subject to these requirements.

**Individual Mandates.** Most individuals must obtain acceptable health insurance coverage or pay a penalty. The penalty amount is the greater of \$325 per person or 2% of taxable income in 2015, and increases to the greater of \$695 per person or 2.5% of income in 2016. After 2016, dollar amounts are indexed. Families will pay half the penalty amount for children.

**Health Insurance Exchanges.** Individuals and small employers (with fewer than 100 employees) are able to shop for insurance through the exchanges. If a small employer later grows above 100 employees, it may still be treated as a small employer. Large employers with over 100 employees are to be allowed into the exchanges in 2017.