

# Healthcare re-FORUM

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## New W-2 Reporting Requirements

The Patient Protection and Affordable Care Act (PPACA) includes a provision requiring employers to calculate and report the aggregate cost of applicable employer-sponsored health benefit coverage on employee W-2 forms. Employers must report this value on all W-2 forms issued for the 2011 tax year. All employers who offer employer-sponsored health insurance coverage must comply with this new legislation. Grandfathered plans are not exempt from this requirement.



### Definition of Employer-Sponsored Coverage

In this provision, employer-sponsored coverage includes major medical coverage, amounts contributed to Health Reimbursement Accounts (HRAs), Medicare supplemental coverage, employer-provided Medicare Advantage plans, the value of on-site medical clinics and so-called mini-medical (or limited benefit) plans.

### Types of Coverage that Are Excluded

Certain types of employer-sponsored coverage are specifically excluded from the new W-2 form reporting requirements, including:

- Any salary-reduction contributions made to a health flexible spending arrangement (health FSA)
- Stand-alone vision or dental insurance coverage
- Long-term care coverage
- Hospital indemnity or other fixed indemnity insurance (if paid for with employee after-tax dollars)
- Specific disease or illness coverage (if paid for with employee after-tax dollars)
- Accident-only coverage
- Disability income insurance
- Workers' compensation insurance

### How Is the Cost of Coverage Determined?

This new provision requires employers to determine the value of employer-sponsored coverage under rules similar to those that apply when determining COBRA continuation coverage premiums, including the special rules that apply for self-insured arrangements. For fully insured plans, the premium will likely be the aggregate cost.

Another challenge for employers is that some of the plans covered by the new reporting requirement are not plans that previously would have been valued for COBRA purposes, such as on-site medical clinics. With the PPACA provision, employers are now required to determine reportable values for such programs. Regulatory guidance is expected on this new requirement.

The value of employer-sponsored coverage will appear on employees' W-2 forms for informational purposes, but will not be considered taxable income. It is believed the intent behind this provision is to sensitize both employers and employees to the value of employer-sponsored healthcare coverage in anticipation of both the Exchanges, scheduled to begin in 2014, and the imposition of the "Cadillac" excise tax in 2018. The excise tax is intended for employers who provide health plans with values that exceed \$10,200 for single coverage or \$27,500 for family coverage.

#### Future Topics:

- Modifications to Consumer Driven Products
- New Cafeteria Plan Requirements
- Review of New Patient Protections