

**State Controller's Annual  
Conference with County  
Auditors**

***IRS REPORTING AND THE CADILLAC TAX***

**October 20, 2015**

**Section I:** IRS ACA Reporting for 2015

**Section II:** The Cadillac Tax: Facts, Forecast, Conjecture and Politics

***Note: Final regulations have not been released and current information provided is subject to change. Alliant does not provide legal advice. Please consult with legal counsel as necessary.***

### Who?

- Large employers subject to Pay or Play

### What?

- Transmit information to IRS on standard forms
- Statements to employees with information about their coverage

### When?

- Report no later than January 31, 2016, with data from 2015
  - Matches Form W-2 timing

### Why?

- Enforce Individual Mandate and Employer Pay or Play Mandate

## SECTION II: EMPLOYER REPORTING EMPLOYER OBLIGATIONS



- Collect Data
  - For everyone employed in 2015 for every month of the year
  
- Report to Employees and the IRS in early 2016
  - Good faith effort for 2015 reporting year
  - Employer solely responsible for the accuracy and timeliness of reporting
  - If you offer both HMO (insured) and PPO coverage (self-funded), you must still report on all employees even though the insured HMO's will also make a report (1095B) for your employees enrolled in their plan(s)

# SECTION II: EMPLOYER REPORTING

## TWO TYPES OF REPORTS

1

### MEC Reporting 1094/5-B (“B Series”)

Identifies individuals who have “minimum essential coverage” (MEC).

Organizations (generally carriers, health plans) that provide MEC must report on any individual covered by MEC.

2

### ALE Reporting 1094/5-C (“C Series”)

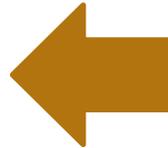
Identifies who is a full-time employee and whether applicable large employers (ALEs) are providing coverage to full-time employees.

Combined MEC and ALE reporting on 1095-C for large self-funded plans.

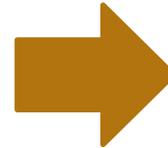
# SECTION II: IRS REPORTING FULLY INSURED EMPLOYEES GET **TWO** REPORTS



IRS



Employer

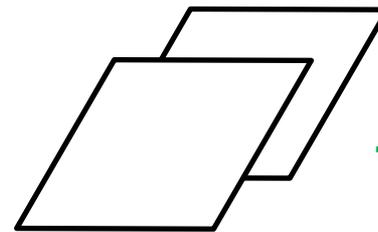


Each Full-time  
Employee



Cover 1094-C

1095-Cs for all  
Full-Time  
Employees



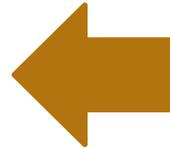
Copy of their  
**1095-C** from the  
employer

Covered Employees  
also get a **1095-B**  
from the HMO's

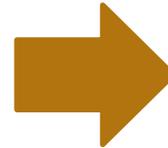
# SECTION II: IRS REPORTING SELF FUNDED EMPLOYEES GET **ONE** REPORT\*



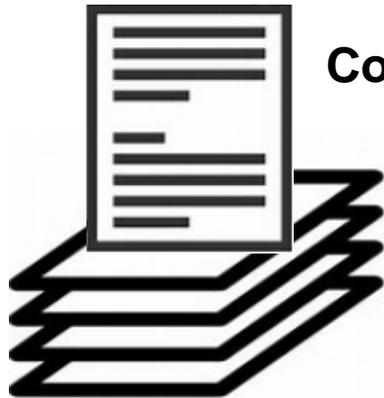
IRS



Employer

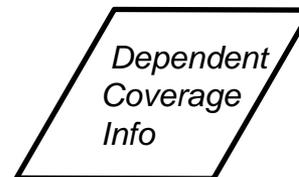


Each Full-time EE,  
covered PT EEs and  
covered non-EEs  
(Directors, COBRA,  
retirees).



Cover 1094-C

1095-Cs for all  
FTEs,  
Covered  
PTEs, COBRA  
Subscribers,  
Retirees, etc.



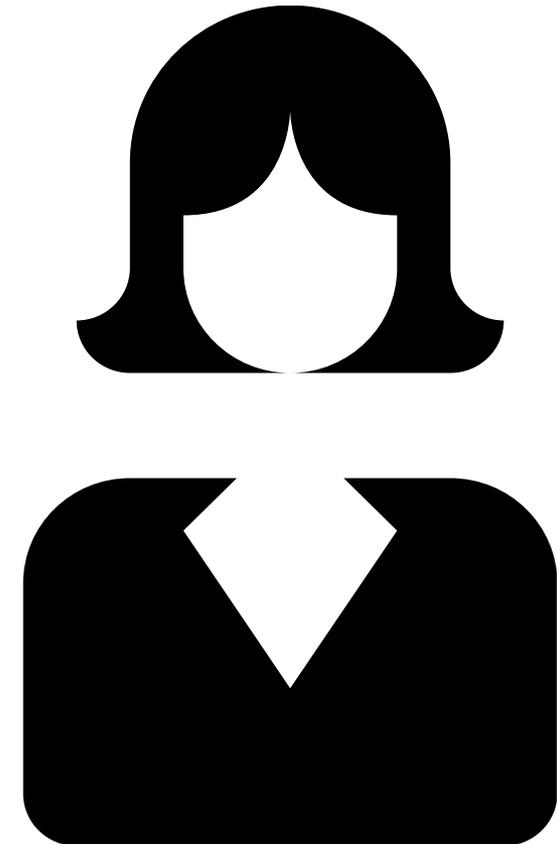
Copy of their  
**1095-C** from the  
employer

*\*Unless you are in CalPERS*

## SECTION II: IRS REPORTING

### SAMPLE REPORT: COUNTY ABC

- Nancy New Hire
  - Hired on March 15, 2015 as full-time employee
  - Eligible for coverage on May 1, 2015
  - Enrolls herself



# SECTION II: IRS REPORTING

## SAMPLE REPORT: COUNTY ABC: NANCY NEW HIRE



Form **1095-C**  
Department of the Treasury  
Internal Revenue Service

### Employer-Provided Health Insurance Offer and Coverage

► Information about Form 1095-C and its separate instructions is at [www.irs.gov/form1095c](http://www.irs.gov/form1095c)

VOID

CORRECTED

OMB No. 1545-2251

**2015**

Part I Employee			Applicable Large Employer Member (Employer)			
1 Name of employee Nancy New Hire		2 Social security number (SSN) 111-11-1111	7 Name of employer Public Agency ABC		8 Employer identification number (EIN) 22-2222222	
3 Street address (including apartment no.) 555 Some Street			9 Street address (including room or suite no.) 1234 A Street		10 Contact telephone number 555-555-5555	
4 City or town Somewhere	5 State or province California	6 Country and ZIP or foreign postal code 12345	11 City or town Somewhere	12 State or province California	13 Country and ZIP or foreign postal code 12345	

Part II Employee Offer and Coverage	Plan Start Month (Enter 2-digit number):												
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)		1H	1H	1H	1H	1E							
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$	\$	\$	\$	\$	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)		2A	2A	2D	2D	2C							

**Part III Covered Individuals**  
If Employer provided self-insured coverage, check the box and enter the information for each covered individual.

(a) Name of covered individual(s)	(b) SSN	(c) DOB (if SSN is not available)	(d) Covered all 12 months	(e) Months of Coverage												
				Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	
17 Nancy New hire	111-11-1111		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>							
18			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Employer will not have to have to complete this Part III data for insured (HMO) plan enrollees

- **Approaches to reporting**
  - Bigger vs. smaller counties
  - CalPERS or other pooled Program
  - Use existing enterprise software system
  - Use benefits administration firm already under contract
  - Hire new vendor only for reporting
  
- **Timing**
  - Starting now is not too soon

# SECTION I: ACA - CADILLAC TAX FACTS



## What?

- 40% excise tax on “high cost” employer-sponsored health coverage

## Who?

- Insurance carriers, employers, and the “person who administers the plan”
  - Employers always responsible for calculating the tax

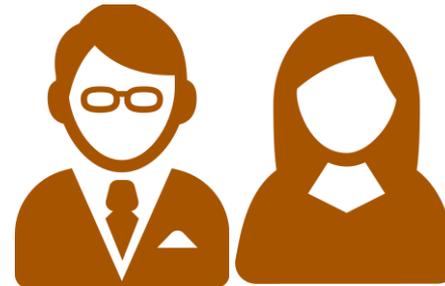
## When?

- Effective the 2018 calendar year, regardless of plan year

## How?

- To be determined

# SECTION I: ACA - CADILLAC TAX FACTS



Self Only	Self + Other
\$10,200	\$27,500 <i>(Any tier of EE plus dependent coverage)</i>
<ul style="list-style-type: none"><li>▪ Thresholds increase if the cost of one of the Federal Employee Health Benefit (FEHB) Plans increases 55% between 2010 and 2018. Unlikely to happen at current trend.</li><li>▪ Cost of living adjustments (COLA) beginning in 2019</li><li>▪ Multiemployer plans use the higher \$27,500 threshold for all tiers of coverage, including self-only coverage.</li></ul>	

**Applicable coverage is** coverage under a group health plan that would be excludable from an employee's (includes retirees and surviving spouses) gross income, including:

- Medical coverage
- Employer and employee FSA contributions
- Employer HSA contributions, including employee pre-tax contributions
- On-site medical clinics
- Multi-employer plans
- Critical illness/hospital indemnity plans paid for with pre-tax dollars

**Applicable coverage does not include:**

- Accident or disability income insurance
- Workers' compensation insurance
- Long-term care insurance
- Separately insured dental and vision coverage
- Critical illness/hospital indemnity plans paid for with after-tax dollars

# SECTION I: ACA - CADILLAC TAX FACTS



## Tax:

- 40% on the amount that exceeds \$10,200 (\$850/mo.) for self-only coverage and \$27,500 (~\$2,192/mo.) for self + other coverage
- Includes overall cost (employer + employee contributions)
- Excise tax is non-deductible for federal income tax purposes

## Sample Calculation:

A) EE only total annual medical premium		\$10,500
B) Other applicable coverage, e.g. FSA		\$1,200
C) Total annual cost	$A + B = C$	\$11,700
D) Employee (EE) only threshold		\$10,200
E) Amount that exceeds EE only threshold	$C - D = E$	\$1,500
<b>F) Excise tax</b>	$E \times 40\% = F$	<b>\$600</b>

# SECTION I: ACA - CADILLAC TAX

## FACTS: WHO PAYS THE EXCISE TAX\*?



Fully-Insured Plans	All Plans
<p>Health insurance carrier pays for insured plans</p> <ul style="list-style-type: none"> <li>▪ Cost passed along to employer</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employer pays for excess HSA, HRA and FSA contributions</li> </ul>
Self-funded Plans	Multi-employer Plans
<p>“Person who administers the plan”. Guidance anticipated on:</p> <ul style="list-style-type: none"> <li>▪ Which entity is the plan administrator for this purpose</li> <li>▪ What happens with multiple lines of coverage</li> <li>▪ Likely the employer pays</li> </ul>	<p>Plan sponsor is responsible for calculating the tax for multi-employer plans</p>

**\*Except for multi-employer plans, the employer calculates the tax liability**

- **Which California public employer plans are likely to exceed the threshold in 2018?**
  - Many rural non-CalPERS plans
  - Some CalPERS plans, mostly Northern California
  - Medical coverage only versus aggregate applicable premium
    - **Big challenge**: additional cost of HSA, FSA and HRA plans

- **Will the law be amended or postponed?**
  - Add more tiers
  - Geographic or demographic adjustments
  - Remove HSA/FSA from aggregate premium
  - Executive action to postpone
  
- **Will the law be repealed?**
  - Senate and House bills
  - Hillary Clinton

## **BUSINESS INSURANCE.**

### **Repeal of health reform's Cadillac tax gains bipartisan support**

Posted On: Sep. 30, 2015 10:11 AM CST

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<http://www.wsj.com/articles/hillary-clinton-supports-repealing-cadillac-tax-on-health-plans-1443567343>

POLITICS

### **Hillary Clinton Supports Repealing 'Cadillac Tax' on Health Plans**



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