

Welcome

Affordable Care Act: How Does it Impact You?

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Agenda

- Overview of Affordable Care Act (ACA)
- Healthcare Legislation Timeline
 - 1099 & W-2 Reporting Changes
 - Health Insurance Credit for Small Employers
 - Non-prescription Reimbursement & FSA Accounts
 - Additional Medicare Tax
 - Penalties on Individuals and Employers
- Illinois Health Reform



Affordable Care Act Overview

- Signed into law by President Obama on March 23, 2010 – “2010 Health Care Act.”
- Health Care and Education Reconciliation Act of 2010 was signed on March 30, 2010 – “2010 Reconciliation Act.”
- Goals:
 - Expanding health care insurance coverage
 - Control health care costs
 - Improve health care delivery



Healthcare Legislation

- Changes that took effect in 2010
 - Health Insurance Tax Credit for Small Employees
 - Eligibility Rules:
 - Providing health care coverage
 - Firm size
 - Average annual wage
 - Both taxable and tax-exempt firms qualify
 - Credit claimed on Form 8941

3 SIMPLE STEPS

If you are a small employer (business or tax-exempt) that provides health insurance coverage to your employees, determine if you may qualify for the **Small Business Health Care Tax Credit** by following these three simple steps:

1

Determine the total number of your employees (not counting owners or family members):

Full-time employees: _____
(enter the number of employees who work at least 40 hours per week)

+

Full-time equivalent of part-time employees: _____
(Calculate the number of full-time equivalents by dividing the total annual hours of part-time employees by 2080.)

= total employees

If the total number of employees is fewer than 25 **GO TO STEP 2**

2

Calculate the average annual wages of employees (not counting owners or family members):

Take the total annual wages paid to employees: _____

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Divide it by the number of employees from STEP 1: _____
(total wages ÷ number of employees)

= average wages

If the result is less than \$50,000, **AND**

3

You pay at least half of the insurance premiums for your employees at the single (employee-only) coverage rate, then



you may be able to claim the **Small Business Health Care Tax Credit**.
Find out more information at **IRS.gov**





Healthcare Legislation

- Changes that took effect in 2010 (cont.)
 - Small Business Jobs Act of 2010
 - 100% Bonus Depreciation
 - September 8, 2010 – January 1, 2012
 - 50% Bonus Depreciation
 - December 31, 2011 – January 1, 2013
 - Section 179 expensing limit increased to \$500,000 for 2011.



Healthcare Legislation

- Changes taking effect in 2011

NO

- Employer must report health care costs on Forms W-2
 - Interim relief – optional for 2011
- Elimination of tax-free reimbursements for non-prescription drugs
- New simple cafeteria plans for small businesses



Healthcare Legislation

- Changes taking effect in 2012
 - New Form 1099 reporting requirement for business payments to corporations **NO**
 - New Form 1099 reporting requirement for business payments for property **NO**



Healthcare Legislation

- Changes taking effect in 2013
 - New \$2,500 cap on health care FSA contributions.
 - Additional .9% Medicare tax on salaries and self-employment income earned by higher income taxpayers
 - Additional 3.8% Medicare tax on net investment income collected by high income taxpayers and trusts
 - Higher threshold for itemized medical expense deductions



Healthcare Legislation

CURRENT THRESHOLD OF 7.5%

- 2011 AGI = \$100,000
- 2011 Medical Expenses = \$8,500
- Threshold: $7.5\% \times \$100,000 = \$7,500$
- Medical Expense Deduction: $\$8,500 - \$7,500 = \$1,000$

FUTURE THRESHOLD OF 10%

- 2013 AGI = \$100,000
- 2013 Medical Expenses = \$8,500
- Threshold 10% of \$100,000 = \$10,000
- Medical Expense Deduction: NONE; threshold > medical expenses incurred



Healthcare Legislation

- Changes taking effect in 2014
 - Individuals required to have minimum essential health care coverage.
 - Penalty equal to greater of \$95 or 1% of taxable income in 2014.
 - Exempt: Cannot find premium less than 8% of income or whose incomes are below the tax filing threshold.



Healthcare Legislation

- Changes taking effect in 2014 (cont.)
 - Employers with more than 50 employees required to pay an excise tax for not providing health coverage
 - Does not offer health care coverage
 - Offers minimum cover that is unaffordable or consists of a plan where the total allowed cost of benefits fails “60% test”
 - Penalty is \$2,000 per employee, with the first 30 employees exempted.



Healthcare Legislation

- Changes taking effect in 2014 (cont.)
 - States required to establish Health Benefit Exchanges
 - Centralized marketplace where individuals and small business employees can be purchase insurance as part of a large risk pool
 - January 1, 2013: States must demonstrate progress towards implementation of Exchange
 - Fall 2013: State Exchanges must begin with open enrollment
 - January 1, 2014: The Exchange must be fully operational



Healthcare Legislation

- Health Benefits Exchange
 - Access to affordable coverage
 - Plan comparison
 - Required to offer a minimum level of coverage



Healthcare Legislation

- Health Benefits Exchange
 - Mandatory duties
 - Certification and recertification of health benefits plans as qualified health plans
 - Provide for the operation of a toll-free telephone hotline to respond to requests for assistance
 - Provide enrollment periods
 - Maintain internet website through which enrollees may obtain comparative information
 - Assign a rating to each qualified health plan offered through the Exchange



Healthcare Legislation

- Health Benefits Exchange
 - Mandatory duties (cont.)
 - Use standardized format for presenting health benefit options in the Exchange
 - Inform individuals of eligibility requirements for various programs
 - Grant a certification of exemption from the individual responsibility penalty
 - Provide to each employer the name of each employee who ceases coverage under a qualified health plan during plan year



Healthcare Legislation

- Changes taking effect in 2014 (cont.)
 - Refundable income tax credit to help low-income individuals afford health coverage.
 - Insurers must cover all individuals and employers that apply for coverage
 - Denial of coverage of pre-existing conditions is prohibited
 - Denial of coverage for participation in clinical trials is prohibited



Healthcare Legislation

- Changes taking effect in 2014 (cont.)
 - Insurance companies limited in charging higher rates for higher-risk beneficiaries
 - Annual dollar limits on essential health coverage prohibited
 - All qualified health plans within an Exchange required to offer the essential health benefits package
 - Increased small business tax credit for health coverage provided to employees through the exchange.



Healthcare Legislation

- Changes taking effect beyond 2014
 - 2017: States may choose to allow large employers to offer coverage to employees through the health benefit exchanges.
 - 2018: Excise tax applied to high-cost health care plans
 - Premiums more than \$10,200 for individuals and \$27,500 for families
 - 2020: Elimination of Medicare Part D coverage gap for generic and brand-name drugs

- Health Insurance Exchanges
 - IL was awarded \$1 million in federal grants to assist in planning and establishing of Exchange
 - More funding to come in 2011

- Illinois Health Care Reform Implementation Council
 - Pat Quinn signed Executive Order #10-12 on 07/29/10 to create council.
 - Provide assistance implementing health care reforms contained in the ACA.
 - Website:
 - <http://www2.illinois.gov/healthcarereform/Pages/HealthReformImplementationCouncil.aspx>
 - Request for public comment on Exchanges



Healthcare Legislation

- **Questions?**