



# Affordable Care Act and Healthcare Landscape

## American Payroll Association – NYC Chapter

February 19, 2015

## Today's Discussion

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- Affordable Care Act
  - Where we've been – Employer and Individual Mandates
  - This year's focus – Employer Reporting
- Looking ahead – healthcare landscape and trends
- Q&A

*This presentation is an overview of market trends and other generally available information. Every entity or person's circumstances are different; the information provided here may not be appropriate for or reflect requirements applicable to any specific entity or person. Aon Hewitt does not practice law or tax and this presentation is not legal or tax advice. Please confer with your legal or tax advisor regarding your specific circumstances and requirements.*

# New IRS Notice and Filings – Are You Ready?

<b>Form 1095-C</b> Department of the Treasury Internal Revenue Service	Employer-Provided Health Insurance Offer and Coverage																			
	<input type="checkbox"/> VOID      OMB No. 1545-2251 <input type="checkbox"/> CORRECTED <b>2014</b>																			
<b>Applicable Large Employer Member (Employer)</b>																				
1 Name of employee		2 Social security number (SSN)		7 Name of employer		8 Employer identification number (EIN)														
3 Street address (including apartment no.)		9 Street address (including room or suite no.)		10 Contact telephone number																
4 City or town		5 State or province		6 Country and ZIP or foreign postal code		11 City or town		12 State or province		13 Country and ZIP or foreign postal code										
<b>Part II Employee Offer and Coverage</b>																				
14 Offer of Coverage (enter required code)		All 12 Months																		
		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec							
15 Employee Share of Lowest-Cost Monthly Premium, for Self-Only Minimum Value Coverage		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$								
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)																				
<b>Part III Covered Individuals</b>																				
If Employer provided self-insured coverage, check the box and enter the information for each covered individual. <input type="checkbox"/>																				
(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																				
18																				
19																				
20																				
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22																				

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 60705M

Form 1095-C (2014)

#### Part I. Employee

Lines 1–6. Part I, lines 1–6, reports information about you, the employee.

Line 2. This is your social security number (SSN). For your protection, this form may show only the last four digits of your SSN. However, the issuer is required to report your complete SSN to the IRS.



If you do not provide your SSN and the SSNs of all covered individuals to the plan administrator, the IRS may not be able to match the Form 1095-C to determine that you and the other covered individuals have complied with the individual shared responsibility provision. For covered individuals other than the employee listed in Part I, a Taxpayer Identification Number (TIN) may be provided instead of an SSN.

#### Part I. Applicable Large Employer Member (Employer)

Lines 7–13. Part I, lines 7–13, reports information about your employer.

Line 10. This line includes a telephone number for the person whom you may call if you have questions about the information reported on the form.

#### Part II. Employer Offer and Coverage, Lines 14–16

Line 14. The codes listed below for line 14 describe the coverage that your employer offered to you and your spouse and dependent(s), if any. This information relates to eligibility for coverage subsidized by the premium tax credit for you, your spouse, and dependent(s). For more information about the premium tax credit, see Pub. 974.

1A. Minimum essential coverage providing minimum value offered to you with an employee contribution for self-only coverage equal to or less than \$1,086.65 (9.5% of the 48 contiguous states' single federal poverty line) and minimum essential coverage offered to your spouse and dependent(s) (referred to here as a Qualifying Offer). This code may be used to report for specific months for which a Qualifying Offer was made, even if you did not receive a Qualifying Offer for all 12 months of the calendar year.

1B. Minimum essential coverage providing minimum value offered to you and minimum essential coverage NOT offered to your spouse or dependent(s).

1C. Minimum essential coverage providing minimum value offered to you and minimum essential coverage offered to your dependent(s) but NOT your spouse.

1D. Minimum essential coverage providing minimum value offered to you and minimum essential coverage offered to your spouse but NOT your dependent(s).

1E. Minimum essential coverage providing minimum value offered to you and minimum essential coverage offered to your dependent(s) and spouse.

1F. Minimum essential coverage NOT providing minimum value offered to you, or you and your spouse or dependent(s), or you, your spouse, and dependent(s).

1G. You were NOT a full-time employee for any month of the calendar year but were enrolled in self-insured employer-sponsored coverage for one or more months of the calendar year. This code will be entered in the All 12 Months box on line 14.

1H. No offer of coverage (you were NOT offered any health coverage or you were offered coverage that is NOT minimum essential coverage).

1I. Your employer claimed "Qualifying Offer Transition Relief" for 2015 and for at least one month of the year you (and your spouse or dependent(s)) did not receive a Qualifying Offer. Note that your employer has also provided a contact number at which you may request further information about the health coverage, if any, you were offered (see line 10).

Line 15. This line reports the employee share of the lowest-cost monthly premium for self-only minimum essential coverage providing minimum value that your employer offered you. The amount reported on line 15 may not be the amount you paid for coverage; if, for example, you chose to enroll in more expensive coverage such as family coverage. Line 15 will show an amount only if code 1B, 1C, 1D, or 1E is entered on line 14. If you were offered coverage but not required to contribute any amount towards the premium, this line will report a "0.00" for the amount.

Line 16. This line provides the IRS information to administer the employer shared responsibility provisions. None of this information affects your eligibility for the premium tax credit. For more information about the employer shared responsibility provisions, see IRS.gov.

#### Part III. Covered Individuals, Lines 17–22

Part III reports the name, SSN (or TIN for covered individuals other than the employee listed in Part I), and coverage information about each individual (including any full-time employee and non-full-time employee, and any employee's family members) covered under the employer's health plan, if the plan is "self-insured." A date of birth will be entered in column (c) only if an SSN (or TIN for covered individuals other than the employee listed in Part I) is not entered in column (b). Column (d) will be checked if the individual was covered for at least one day in every month of the year. For individuals who were covered for some but not all months, information will be entered in column (e) indicating the months for which these individuals were covered. If there are more than 6 covered individuals, you will receive one or more additional Forms 1095-C that continue Part III.

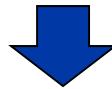


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# Where We've Been

## Employer Mandate

- Applies to Applicable Large Employers (ALE) with 50 or more full-time employees and full-time equivalents
  - Determination of ALE status uses full-time employees and full-time equivalents, but mandate only applies to ACA-defined “full-time employees” (FTEs).
- Must offer minimum level of “affordable” health coverage to FTEs or risk penalty
- New definition of FTE: based on “Hours of Service” threshold of 30 hours/week (130 hours/month)
  - “Hours of Service” generally includes hours for which an employee is paid or entitled to be paid.
- New rules for determining FTE: measure monthly OR “look back” approach
- Affordability: Offer at least one medical option where “You Only” coverage does not exceed 9.5% of household income
  - Safe harbor options to address lack of employer visibility to household income



## Penalty Risk

- Starting in 2015, if 100 or more FTEs. In 2016, if 50 or more FTEs
- If FTE purchases coverage in state Marketplace **and** receives federal subsidy:
  - Broad penalty: \$2,000/year for **all** FTEs, minus first 80 (30 in 2016) if coverage not offered to at least 70% of FTEs (95% starting in 2016)
  - Targeted penalty: \$3,000/year if coverage not affordable or less than minimum value. Only applies to those purchasing coverage in Marketplace and receiving subsidy.
- Percentages and penalties are assessed on a monthly basis and evaluated separately for each entity
- Supreme Court case this year – availability of subsidies in Marketplaces run by federal government

## Where We've Been

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### Individual Mandate

- Must have health coverage or pay tax penalty
- Marketplaces are source for those without employer coverage
- 2015 penalties:
  - 2% of household income (maximum based on average cost of bronze plan); OR
  - \$325 per person (\$162.50 if under 18). \$975 maximum.

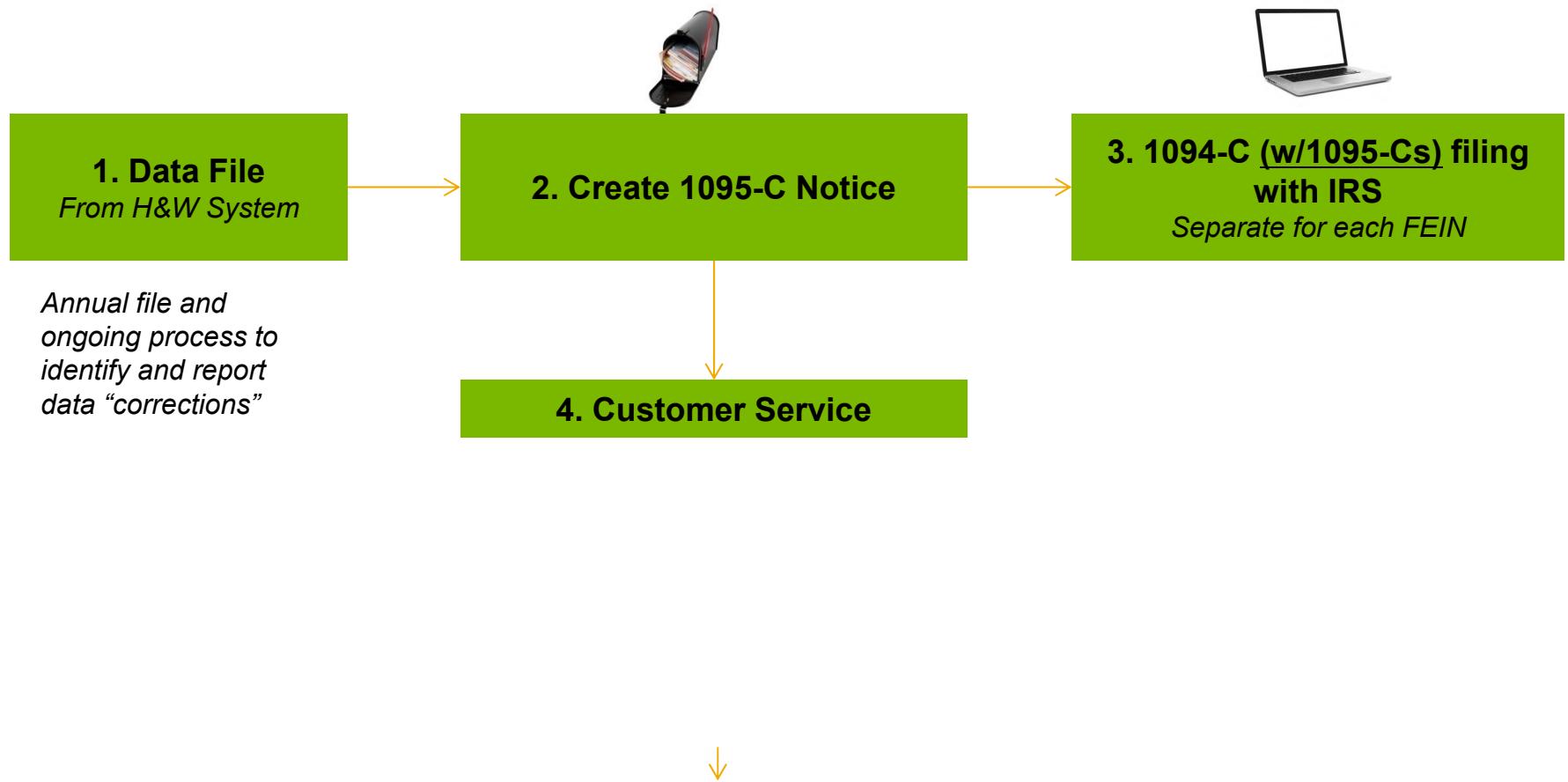


## This Year's Focus: Employer Reporting – A “W-2” for Health Care

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- New annual filings with IRS and notices to individuals
- Used to verify compliance with employer/individual mandates and eligibility for Marketplace premium tax credits
- Applies for employers with 50 or more FTEs and employers of any size who offer self-insured Minimum Essential Coverage
- First reports due January 2016, for 2015 calendar year
- Data filings with IRS. 2 new forms (1094/1095) to provide information about 2 components:
  - Section 6055: Confirm whether individual and dependents were covered in medical for each month of the year. Employers report for self-insured plans; health plans provide for fully-insured plans.
  - Section 6056: Information on coverage offered to FTEs (e.g., price of lowest cost option)
- New IRS forms provided to employees and used for income tax filing
  - 1095-C: Produced by employers for FTEs or those covered in self-insured medical plan
  - 1095-B: Produced by health plans for those enrolled in fully-insured plans
  - 1095-A: Produced for those enrolled in Marketplace coverage (starting this year)
- New rules for SSN solicitations
- Received 2014 final IRS forms and filing instructions (voluntary), but expecting revisions/updates for 2015.

## Employer Reporting – Process Flow



## Employer Data File

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- Source for Form 1095-C production and IRS filings
- IRS data file format?
- Separate filing for each FEIN
- Include individuals who were FTEs or had self-insured coverage at any time during the year (including COBRA enrollees and pre-65 retirees)
- Key data elements
  - Federal Employer ID Number (FEIN)
  - Demographic information
  - Whether covered in self-insured plan for each month (participant and dependents)
  - FTE status for each month
  - Price of lowest cost “You Only” option offered to FTEs for each enrollment during the year
  - Derivation of IRS codes (e.g., affordability safe harbor)

# Create Form 1095-C and File with IRS

## Form 1095-C

- Employer provides to individuals who were FTEs or covered in self-insured plan at any time during the year
- Send by January 31
- Notice used by individuals as they file tax returns
- Similar process to Form W-2
- Consider collection of consent to distribute electronically

## IRS Filing

- Data filing (Form 1095-C information) along with Form 1094-C transmittal
- Separate filings by FEIN
- File by February 28 (March 31 if filing electronically)

**DRAFT AS OF October 15, 2014 DO NOT FILE**

<b>Form 1095-C</b> Department of the Treasury Internal Revenue Service <b>Part I Employee</b>	<b>Employer-Provided Health Insurance Offer and Coverage</b> <small>► Information about Form 1095-C and its separate instructions is at <a href="http://www.irs.gov/1095c">www.irs.gov/1095c</a>.</small> <b>Part II Employee Offer and Coverage</b> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th>All 12 Months</th> <th>Jan</th> <th>Feb</th> <th>Mar</th> <th>Apr</th> <th>May</th> <th>June</th> <th>July</th> <th>Aug</th> <th>Sept</th> <th>Oct</th> <th>Nov</th> <th>Dec</th> </tr> </thead> <tbody> <tr> <td>14 Offer of Coverage (enter required code)</td> <td></td> </tr> <tr> <td>15 Employee Share of Premium (Monthly Premium, for Self-Insured Minimum Value Coverage)</td> <td>\$</td> </tr> <tr> <td>16 Applicable Section 4980H Safe Harbor (enter code, if applicable)</td> <td></td> </tr> </tbody> </table> <b>Part III Covered Individuals</b> <small>If Employer provided self-insured coverage, check the box and enter the information for each covered individual.</small> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th>(a) Name of covered individual(s)</th> <th>(b) SSN</th> <th>(c) DOB (if SSN is not available)</th> <th>(d) Covered all 12 months</th> <th>(e) Months of Coverage</th> </tr> </thead> <tbody> <tr> <td>17</td> <td></td> <td></td> <td><input type="checkbox"/></td> <td>Jan Feb Mar Apr May June July Aug Sept Oct Nov Dec</td> </tr> </tbody> </table>	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	14 Offer of Coverage (enter required code)													15 Employee Share of Premium (Monthly Premium, for Self-Insured Minimum Value Coverage)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	16 Applicable Section 4980H Safe Harbor (enter code, if applicable)													(a) Name of covered individual(s)	(b) SSN	(c) DOB (if SSN is not available)	(d) Covered all 12 months	(e) Months of Coverage	17			<input type="checkbox"/>	Jan Feb Mar Apr May June July Aug Sept Oct Nov Dec	<b>b00115</b> <small>OMB No. 1545-2251</small> <b>2014</b> <b>Part II Employee Offer and Coverage</b> <b>Part III Covered Individuals</b> <b>Part IV Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns</b> <small>► Information about Form 1094-C and its separate instructions is at <a href="http://www.irs.gov/1094c">www.irs.gov/1094c</a>.</small> <b>Part I Applicable Large Employer Member (ALE Member)</b> <b>Part II ALE Member Information</b> <b>Part III Reserved</b> <b>Part IV Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns</b> <small>► Information about Form 1094-C and its separate instructions is at <a href="http://www.irs.gov/1094c">www.irs.gov/1094c</a>.</small> <b>Part V For Official Use Only</b> <small>For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.</small> <small>Cat. No. 6123A</small> <small>Form 1094-C (2014)</small>
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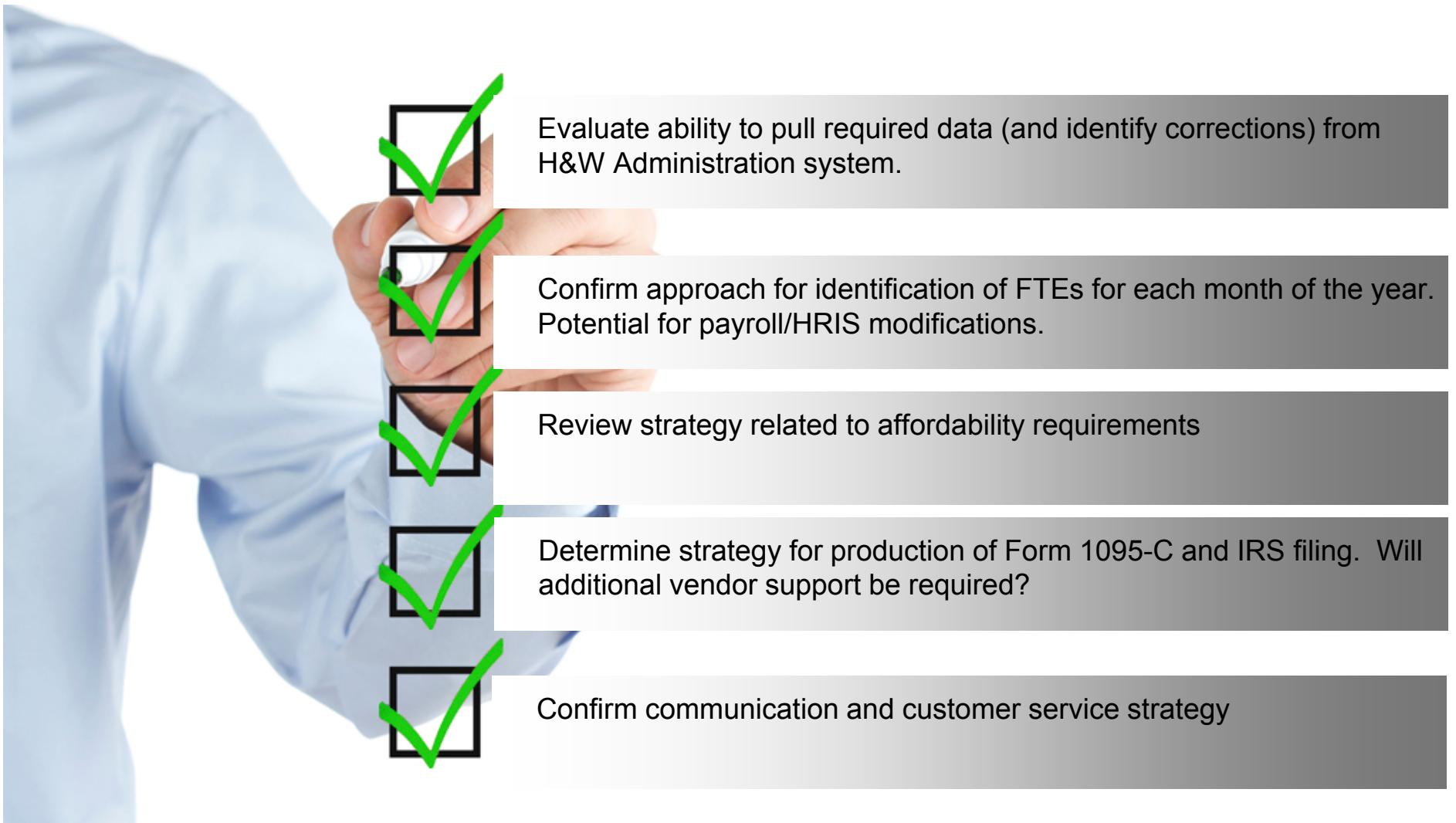
## Customer Service Support

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- New tax form and process
- What support will employees need? Who will field questions?
  - What is 1095-C and what do I need to do?
  - Reprint requests
  - Questions about their information and coverage
  - Corrections
- Forms go to current and former employees
- Contact information/phone number included on Form 1095-C



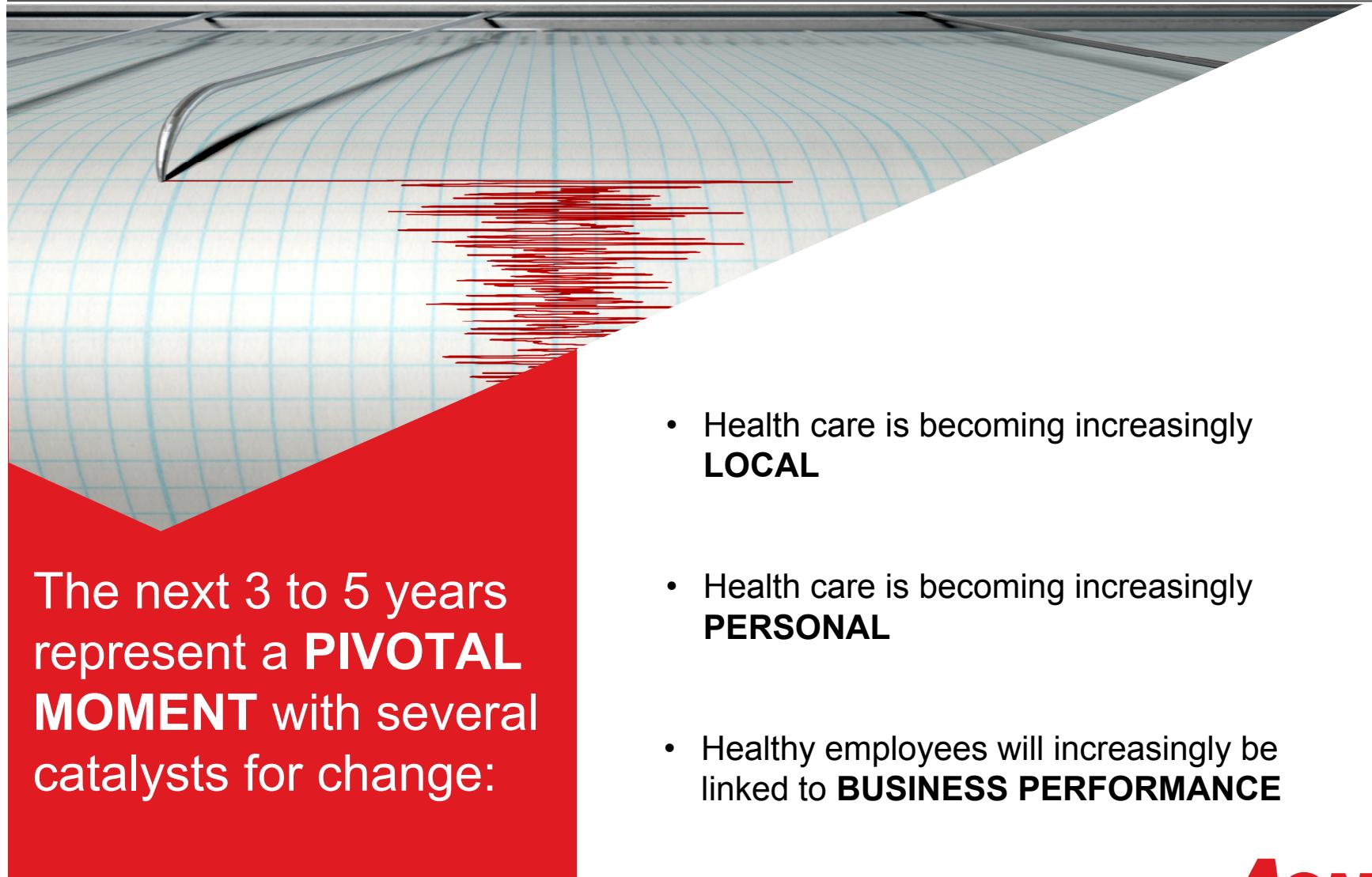
# Preparing for Employer Reporting





## Looking Ahead - Healthcare Landscape

At Aon, We Believe....

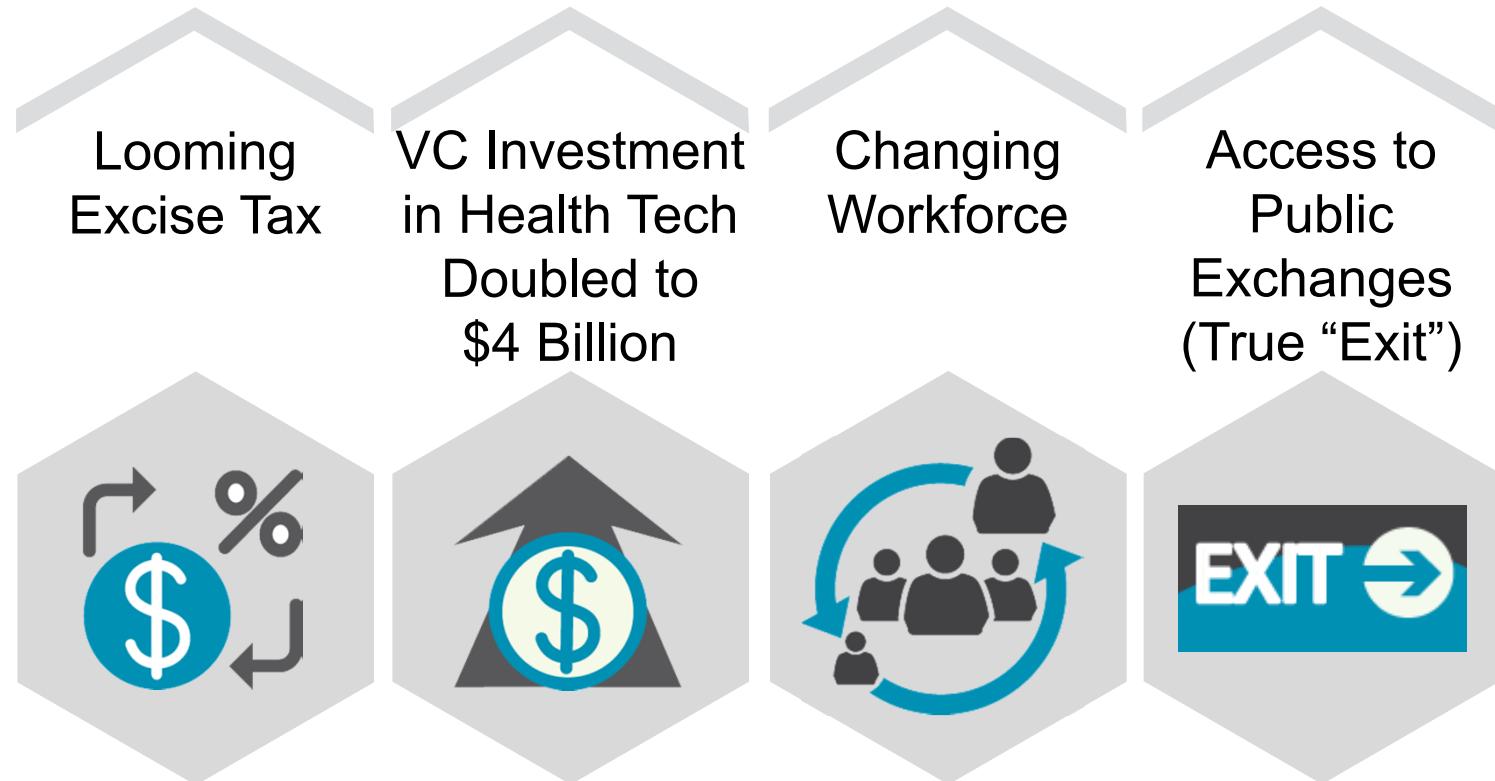


The next 3 to 5 years represent a **PIVOTAL MOMENT** with several catalysts for change:

- Health care is becoming increasingly **LOCAL**
- Health care is becoming increasingly **PERSONAL**
- Healthy employees will increasingly be linked to **BUSINESS PERFORMANCE**

## Pivotal Moment: Catalyst for Change

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## Health Care is Local

620+ ACOs  
nationally  
(up 300%  
in 3 years)

Variation  
in access to  
on-site and  
near-site  
services

State/city  
variations  
in obesity  
rates



## Health Care is Personal



## Healthy Employees Linked to Better Business Results



# What's In, What's Out

## The Latest on Our Health Radar



- Physical, Emotional, Social and Financial Wellbeing → • Physical Wellness Only
- Assertive all-encompassing approach to healthy weight → • Passive approach to obesity through individual behavior only
- Value of Health Investment → • Return on Health Investment
- It's all about the experience; how you make people feel → • Detail-laden instruction that requires a focused audience, able to retain information and facts

## Focus Allows Impact which Produces Results

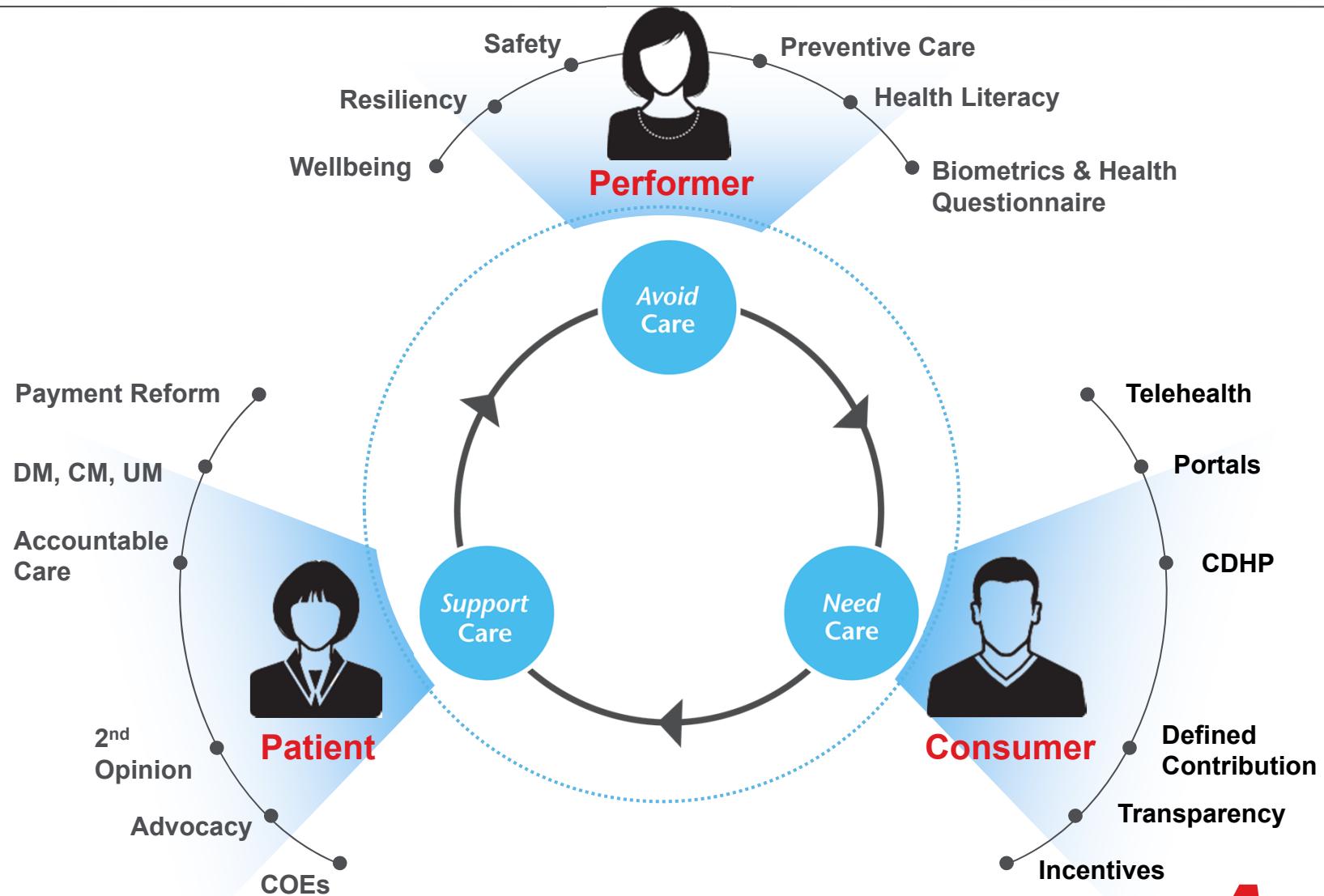


### 4 Most Impactable Chronic Conditions

- Diabetes
- Heart Disease
- Musculoskeletal
- Cancer

***Four chronic conditions and co-morbid depression represent the most costly conditions for clients***

## The Health Experience Cycle



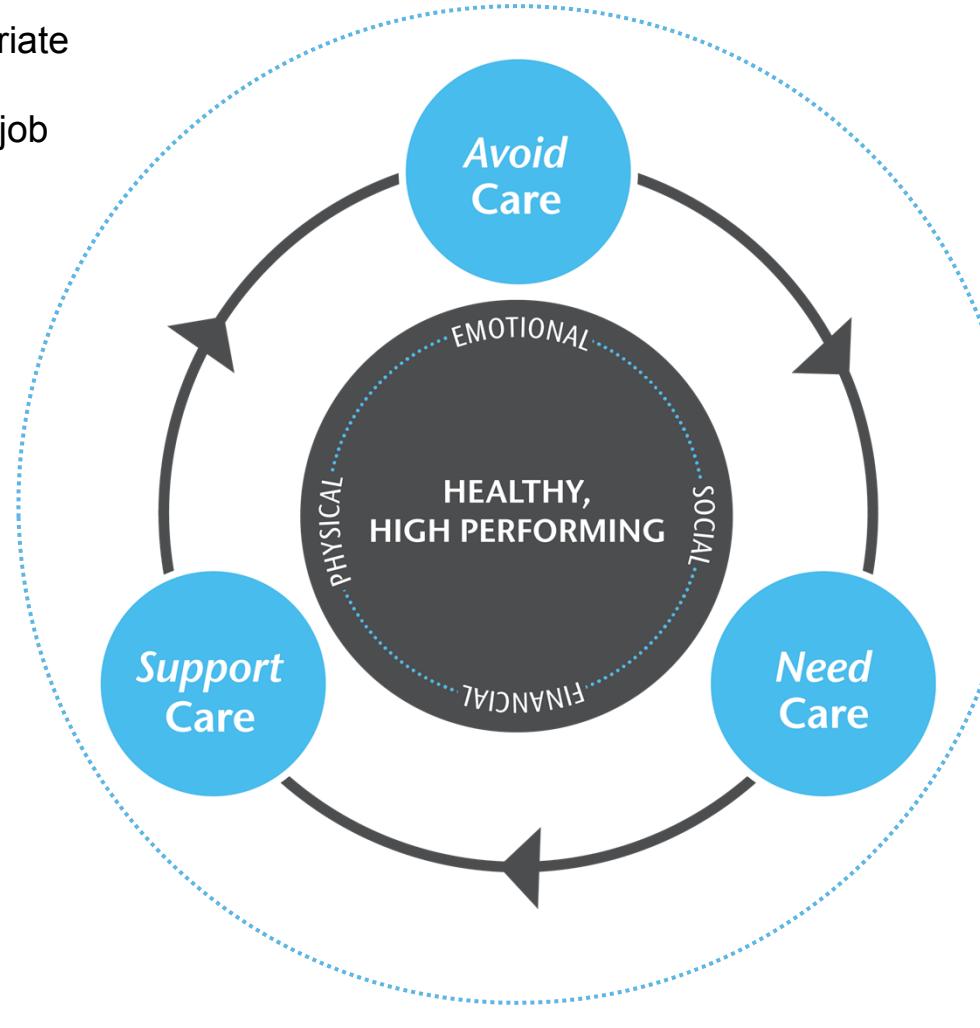
# Deliver the Health Experience Cycle

## Environment

Incorporate appropriate activity and health practices into daily job functions

## Culture

Make healthy the new organizational norm



## Health & Well-Being Resources

Make services accessible, easy, meaningful, confidential and personal

## Community

Support health practices outside of the work environment

## Market Directions

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**33%**

will use private exchanges

**70%**

use incentives to drive behavior



**50%**

will continue to increase cost sharing

**68%**

plan to use reference-based pricing



**81%**

offer health risk identification tools

**36%**

measure impact of absence

**Source:** 2014 Aon Hewitt Health Care Survey

Aon Hewitt | Proprietary & Confidential | February 2015

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## Private Medicare Exchanges—Current Landscape

### Why plan sponsors are moving to individual market-based retiree health care strategies for Medicare Eligible Retirees

1

Savings Opportunity

- On average \$1000 for retirees
- 15 – 40% gross medical spend for employers

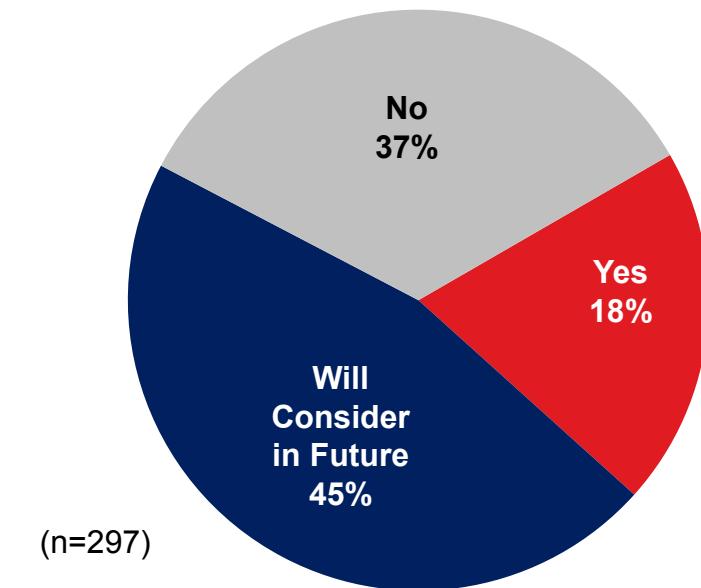
2

Mature, Stable Private Exchange Market

3

De-Risking Opportunity

Intend to Facilitate Individual Market Strategy in the Future



Source: 2014 Aon Hewitt Retiree Health Care Strategy Survey



## Q&A

# Thank You!

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