The Affordable Care Act:
Understanding a School District’s Responsibilities to Comply with the Play or Pay Mandate

Dan Exceen, Sr. Vice President
Ryan Meissner, ACA Project Manager
Richard Asensio, Vice President Compliance

October 20, 2014
Agenda

- Overview of the “play or pay” mandate and the obligation to offer health coverage
  - Basics
  - Determining who is a full-time employee
  - Special issues with tracking hours
- Employer reporting and disclosure requirements
- Special requirements for self-funded plans
  - Fees
  - HPID registration
- Looking ahead
  - Cadillac Tax
  - Employer action items
- Questions addressing important issues in complying with mandate
The Play or Pay Mandate and Obligation to Offer Health Coverage
Play or Pay Mandate

- Subsidies obtained in Exchange by at least one eligible employee

  - Minimum essential coverage NOT offered to 95% of full time employees (and dependent children) (70% in 2015)
  
    - Annual penalty = $2,000 x all full-time (FT) employees minus first 30 employees (80 employee exemption in 2015)

  - Minimum essential coverage offered to 95% of full time employees (and dependent children) (70% in 2015)

    - Coverage offered is not affordable and/or doesn’t provide minimum value

      - Annual penalty = $3,000 per subsidized FT employee ($250/month); up to max of $2,000 x all FT employees minus first 30 employees (80 in 2015)
Who is a Full-time Employee?

– Employee must average at least 30 hours service/week (130 hours/mo.)

– Use one of two permitted measurement methods to determine if FT

  • Monthly measurement method
    – Employee is treated as full-time for any calendar month in which the employee averages 30 or more hours of service per week

  • Look-back measurement method
    – Employee is treated as full-time for any month within a stability period (SP) if the employee averaged 30 or more hours of service/week during the applicable measurement period (MP) preceding the SP.
    – Optional Administrative Period (AP) up to 90 days permitted
Who is a Full-time Employee (cont’d.)?

Initial Measurement Period (IMP)

New Hires
  • Part-time employees
  • Variable hour employees
  • Seasonal employees

Standard Measurement Period (SMP)

Ongoing Employees
  All employees who worked through one SMP

– New Hires (non-seasonal)
  • Treat as FT during Initial Measurement Period (IMP) if reasonably expected as of start date to work a minimum of 30 hours per week (130 hours per month)
    – Must be offered coverage no later than the 1st day of the month following the first three months of employment.
  • Otherwise, consider as variable hour employee and track hours under IMP
    – If FT during IMP, offer coverage no later than the 1st day of the 14th month following month of date of hire

– Rehires
  • Can treat as new hire if break is 26 consecutive weeks or greater
**Tracking Hours: Example (1/1 Plan Year)**

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug</td>
<td>Sept</td>
<td>Oct</td>
<td>Dec</td>
</tr>
</tbody>
</table>

**Standard Measurement Period:** Track all ongoing employees (hired as of 11/1/13)

- SMP (12 mos.)
- 2 mo. AP
- SP (12 mos.)
- SMP Year 2 (12 mos.)
- 2 mo. AP
- SP Yr 2 (12 mos.)

**Initial Measurement Periods:** January 2014 New Hire Variable Hour Employee

- Initial MP (12 mos.)
- 1 mo. AP
- Initial SP (12 mos.)

---

January 2014 new hire becomes "ongoing employee"
What Hours do we Track?

Every hour employee is paid or entitled to payment for performance of duties

Hours for periods not working but paid or entitled to payment

- Vacation Time
- Sick Time
- Disability
- Holidays
- Layoff
- Paid Leaves
- School Breaks
- Special Unpaid Leaves

- Jury Duty
- FMLA
- Military Leave

Other employment break periods of 4 or more consecutive weeks (Use averaging method so that FT employee during the active portions of the year is treated as FT for full measurement period OR credit employee with average weekly rate)

Max 501 hours/calendar year

- Hourly employees: use hours worked records
- Salaried employees: impute hours using equivalencies
- Exclude: Hours by student workers on work study program and bona fide volunteers
Tracking Hours – Special Issues

– Substitute teachers
  • Treat as variable hour employee
    • New hires’ hours tracked under IMP unless “reasonably” expected to work full time
  • Assign actual hours worked to MP or use permitted safe harbors
  • Adjust for school break periods / unpaid holidays (greater than 4 consecutive weeks)
  • Can treat as a new hire if break in service is greater than 26 consecutive weeks

– Coaches and others receiving stipends
  • Determine reasonable hours associated with stipend amount
  • Assess extent to which individual can be considered a bona fide volunteer

– Adjunct faculty
  • Use a method of crediting hours of service that is reasonable in the circumstances and consistent with the play or pay mandate. Safe harbor = crediting an adjunct faculty member with 2 ¼ hours of service per week for each hour of teaching or classroom time
**FACTS:**
- School District A’s school year runs from mid-August through mid-June.
- The District is considered a large employer, subject to the play or pay mandate. It satisfies the requirements for transitional relief so that the effective date of the mandate is 7/1/15, the first day of its 2015 plan year.
- It offers health coverage that provides minimum value to all of its certificated employees as well as those classified employees working a minimum of 30 hours per week.
- Sheila is first hired by the District on 9/10/15 to fill in for teachers absent from work due to illness, etc.
- She is considered a variable hour employee because her schedule is expected to be inconsistent from week to week and it was not reasonably certain as of her start date how many hours per week she would be working.
- The District tracks variable hour new hires using a 12-month IMP, a 1+ month AP, and an associated 12-month SP that begins no later than the 1st day of the 14th month following the month in which the employee was hired. Sheila’s IMP would be 9/10/15 through 9/9/16, with an associated stability period that would begin 11/1/16.
- Hours are credited based on actual hours worked (Full day = 8 hours; ½ day = 4 hours).
Example: Substitute Teachers (cont’d.)

**MP = Measurement Period**  
**AP = Administrative Period**  
**SP = Stability Period**

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |
|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2015 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 2016 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 2017 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 2018 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |

**Standard Measurement Period (5/1-4/30):**

**Sheila’s first complete Standard Measurement Period (5/1/16-4/30/17)**

<table>
<thead>
<tr>
<th>Month</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMP</td>
<td></td>
<td></td>
<td>2 mo. AP</td>
<td></td>
</tr>
<tr>
<td>SP Yr 2</td>
<td>(12 mos.)</td>
<td></td>
<td></td>
<td>(12 mos.)</td>
</tr>
</tbody>
</table>

**September 2014 Sheila is hired**

<table>
<thead>
<tr>
<th>Initial MP (12 mos.)</th>
<th>1 + mo. AP</th>
<th>Initial SP (12 mos.)</th>
</tr>
</thead>
</table>

**Initial Measurement Period= 9/10/15-9/9/16:**
• As it turns out, Sheila was a very popular substitute teacher and received credit for the following hours actually worked during the 2015 and 2016 school years.

• To be conservative, she was credited with additional hours for periods of unpaid leave (this is only an example and other methodologies for crediting unpaid leave could be used)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nov</td>
<td>Dec</td>
<td>Jan</td>
<td>Feb</td>
<td>Mar</td>
</tr>
<tr>
<td>Days in Session- IMP(1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unpaid Breaks/Holidays (2)</td>
<td>12</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Max Hours = (1)+(2) *8</td>
<td>176</td>
<td>168</td>
<td>176</td>
<td>168</td>
<td>176</td>
</tr>
<tr>
<td>Actual Hours Credited Initial MP</td>
<td>0</td>
<td>48</td>
<td>96</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Hours allocated for Unpaid Breaks/ Holidays</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sheila’s Total Hours IMP</td>
<td>0</td>
<td>48</td>
<td>96</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Average hours per month</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Days in Session- SMP(1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unpaid Breaks/Holidays (2)</td>
<td>2</td>
<td>11</td>
<td>22</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td>Max Hours = (1)+(2) *8</td>
<td>184</td>
<td>160</td>
<td>176</td>
<td>168</td>
<td>176</td>
</tr>
<tr>
<td>Actual Hours Credited Standard MP</td>
<td>104</td>
<td>72</td>
<td>0</td>
<td>24</td>
<td>56</td>
</tr>
<tr>
<td>Hours allocated for Unpaid Breaks/ Holidays</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sheila’s Total Hours-SMP</td>
<td>104</td>
<td>72</td>
<td>0</td>
<td>24</td>
<td>56</td>
</tr>
<tr>
<td>Average hours per month</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Employer Reporting and Disclosure Requirements
Employer Reporting Requirements

**Code Sections 6055**  *Employers that self-insure ONLY (reporting responsibility for fully-insured plans rests with the carrier)*

- **Purpose:** to determine liability for individual mandate
- **Information required includes:**
  - Type and period of coverage
  - Employer name
  - Contact information
  - Name and TIN (or DOB) for each individual enrolled
  - Months for which covered

**Code Section 6056**  *All employers subject to play or pay mandate (more than 50 FTE)*

- **Purpose:** to administer the employer shared responsibility provisions of the ACA
- **Information required includes:**
  - Employer name, contact information
  - Certification that MEC (Minimum Essential Coverage) was offered to full-time employees (and their dependents), by calendar month
  - Number of full-time employees by calendar month
  - A list of full-time employees and contact information for each employee
  - For each individual full-time employee
    - Months MEC was available
    - Employee’s share of the lowest cost monthly premium for self-only coverage
Employer Reporting Requirements (cont’d.)

– Due by February 28th following the end of the calendar year
  • March 31st if filing electronically
  • For most ALEs this is February 28, 2016 for the 2015 calendar year.
    ALEs with 50-99 FT employees have to certify that they meet the transition relief requirements

– Employers that have fewer than 50 full-time employees, including equivalents (FTEs), are exempt from the employer reporting requirements of Code section 6056.

– Employers with more than 50 FTEs and “self-insure” will combine report for Code sections 6055 & 6056.

– Employers with more than 50 full-time employees and do not “self-insure” will report for Code section 6056 only.
**Form 1094-C**

Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns

Information about Form 1094-C and its separate instructions is at www.irs.gov/f1094c.

<table>
<thead>
<tr>
<th>Part I</th>
<th>Applicable Large Employer Member (ALE Member)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Name of ALE Member (Employer)</td>
</tr>
<tr>
<td>2</td>
<td>Employer identification number (EIN)</td>
</tr>
<tr>
<td>3</td>
<td>Street address (including room or suite no.)</td>
</tr>
<tr>
<td>4</td>
<td>City or town</td>
</tr>
<tr>
<td>5</td>
<td>State or province</td>
</tr>
<tr>
<td>6</td>
<td>Country and ZIP or foreign postal code</td>
</tr>
<tr>
<td>7</td>
<td>Name of person to contact</td>
</tr>
<tr>
<td>8</td>
<td>Contact telephone number</td>
</tr>
<tr>
<td>9</td>
<td>Name of Designated Government Entity (only if applicable)</td>
</tr>
<tr>
<td>10</td>
<td>Employer identification number (EIN)</td>
</tr>
<tr>
<td>11</td>
<td>Street address (including room or suite no.)</td>
</tr>
<tr>
<td>12</td>
<td>City or town</td>
</tr>
<tr>
<td>13</td>
<td>State or province</td>
</tr>
<tr>
<td>14</td>
<td>Country and ZIP or foreign postal code</td>
</tr>
<tr>
<td>15</td>
<td>Name of person to contact</td>
</tr>
<tr>
<td>16</td>
<td>Contact telephone number</td>
</tr>
</tbody>
</table>

For Official Use Only

17 Reserved

18 Total number of Forms 1095-C submitted with this transmittal

<table>
<thead>
<tr>
<th>Part II</th>
<th>ALE Member Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>Is this the authoritative transmittal for this ALE Member? If “Yes,” check the box and continue. If “No,” see instructions</td>
</tr>
<tr>
<td>20</td>
<td>Total number of Forms 1095-C filed by and/or on behalf of ALE Member</td>
</tr>
<tr>
<td>21</td>
<td>Is ALE Member a member of an Aggregated ALE Group? If “No,” do not complete Part IV.</td>
</tr>
</tbody>
</table>

22 Certifications of Eligibility (select all that apply):

A. Qualifying Offer Method  
B. Qualifying Offer Method Transition Relief  
C. Section 4980H Transition Relief  
D. 98% Offer Method

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature

well beyond benefits™
Form 1095-C
Employer-Provided Health Insurance Offer and Coverage

Part I  Employee

<table>
<thead>
<tr>
<th>Employee Reporting Requirements Code Section 6056 (cont’d.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1095-C</strong> Form 1095-C</td>
</tr>
<tr>
<td>Department of the Treasury</td>
</tr>
<tr>
<td>Internal Revenue Service</td>
</tr>
<tr>
<td>DRAFT AS OF October 1, 2014</td>
</tr>
<tr>
<td>DO NOT FILE</td>
</tr>
</tbody>
</table>

Applicable Large Employer Member (Employer)

<table>
<thead>
<tr>
<th>Name of employee</th>
<th>SSN</th>
<th>Name of employer</th>
<th>EIN</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Part II  Employee Offer and Coverage

<table>
<thead>
<tr>
<th>Offer of Coverage (enter required code)</th>
<th>$</th>
<th>$</th>
<th>$</th>
<th>$</th>
<th>$</th>
<th>$</th>
<th>$</th>
<th>$</th>
<th>$</th>
<th>$</th>
<th>$</th>
<th>$</th>
</tr>
</thead>
</table>

Part III  Covered Individuals

If Employer provided self-insured coverage, check the box and enter the information for each covered individual.

<table>
<thead>
<tr>
<th>Name of covered individual(s)</th>
<th>SSN</th>
<th>DOB (If SSN is not available)</th>
<th>Covered all 12 months</th>
<th>Months of Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Jan</td>
<td>Feb</td>
</tr>
<tr>
<td>17</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Cat. No. 60705M

Form 1095-C (2014)
Statements to Responsible Individuals

- Written statements to Responsible Individuals

- Statement Requirements:
  - Name, address, and EIN of ALE
  - Information required to be reported to the IRS

- Form of Statement
  - Either furnish copy of the IRS return (Form 1095-B or 1095-C, as applicable) or substitute statement that complies with the required information
  - Permitted to use truncated SSN in lieu of full SSN

- Deadline for furnishing statements
  - January 31st following end of the calendar year

- Send to last known permanent address /temporary address via first class mailing OR via electronically if requirements are met
Special Concerns for Districts with Self-funded Plans
PCORI Fee
- Temporary tax to fund research on patient-centered outcomes program. Specifically, for plan years ending after September 30, 2012 through 2018.
- The fee amount is $2.00 per year (adjusted for inflation) times the average number of covered lives under the policy or plan (the multiplier is $1.00 in the case of policy or plan years ending before October 1, 2013).
- For plan years ending between October 1, 2013 and September 30, 2014, fee amount is $2.08 per enrollee.

Transitional Reinsurance Fee
- Temporary fee to fund transitional reinsurance program for the 1st 3 years of health exchange (2014-2016) to help stabilize premiums in individual market.
- Fee is payable in 2 installments, a reinsurance component and administrative component. 1st installment is due no later than January 15th following the year fee represents; 2nd installment is due during 4th quarter of the following year.
- 2014 fee is $63 per enrollee (1st installment of $52.50 and 2nd installment of $10.50).
- 2015 fee is $44 per enrollee (1st installment of $33.00 and 2nd installment of $11.00).
### HIPAA, HPID, & Certification Requirements

- For use to identifying health plans in any HIPAA standard transactions

<table>
<thead>
<tr>
<th>Entity Type</th>
<th>Compliance Date for Obtaining HPID</th>
<th>Full Implementation Date for Using HPID in Standard Transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Plans Other than “Small Health Plans”</td>
<td>November 5, 2014</td>
<td>November 7, 2016</td>
</tr>
<tr>
<td>Small Health Plans*</td>
<td>November 5, 2015</td>
<td>November 7, 2016</td>
</tr>
<tr>
<td>* Health plans with annual receipts of $5mm or less</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Other requirements:**

- Two one-time certifications with HHS that attest to compliance with HIPAA standard transactions
- Filing with HHS by December 31, 2015
Looking Ahead
Beginning January 1, 2018, “Cadillac” plans will be subject to a 40% excise tax on the amount of premium that exceeds an annual limit.

- Employer and employee contributions are included

- For 2018, the limits are $10,200 for individuals and $27,500 for families (indexed); limits are increased for certain retirees and for those plans where majority are engaged in high risk professions

- For multiemployer plans, family limit applies to all coverage levels

- Stand alone dental and vision benefits are excluded, but employer contributions to HSAs and Archer MSAs are included, and health FSAs and HRAs are included

- Who pays?
  - If fully insured, employer calculates and insurer pays
  - If self-funded, employer calculates and pays
Next Steps

– Have you made a determination as to whether or not you are an ALE that is subject to the play or pay mandate in 2015?
– If you are a medium-size ALE, do you qualify for transitional relief?
– If you have a non-calendar plan year, do you qualify for transitional relief?
– Have you assessed your workforce to understand your employee population?
– Have you established your standard measurement and stability periods?
– Do you have systems in place to track employee hours?
– Have you updated your plan documents and employee handbooks to reflect new eligibility criteria?
– Have you documented your process for tracking variable hour employees; developed procedures for onboarding newly eligible employees?
Questions
Question #1

Does my non-calendar year plan qualify for transitional relief from the play or pay penalties until the 1st day of the 2015 plan year?
Question #2

Who is responsible for employer reporting and disclosure requirements: the school district? The JPA/Trust? The insurance carrier?
If the district has measured our variable hour employees and some have qualified for benefits do we have to notify them and how do we notify them?
What are the district’s options for contributions when a variable hour employee qualifies for benefits?
Question #5

What specific information must be included on the reporting and disclosure forms? How can my school district minimize its reporting requirements?
What should my district be doing now to prepare for the employer reporting requirements for the 1st qtr of 2016?
Question #7

Are their different Cadillac Tax thresholds for districts in a JPA pool vs. a multi-employer plan Trust?
As a school district, what should I be doing now to prepare for the Cadillac tax in 2018?
Contact Information

Dan Exceen, Senior Vice President
949-252-4586
exceen@burnhambenefits.com

Ryan Meissner, ACA Project Manager
949-252-4578
meissner@burnhambenefits.com

Richard Asensio, Vice President Compliance
213-788-7558
asensio@burnhambenefits.com