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## W-2 Employer Reporting Requirement

### WHAT IS THE AFFORDABLE CARE ACT'S W-2 DISCLOSURE REQUIREMENT?

The Affordable Care Act (ACA) requires certain employers to disclose the total cost of their employees' group health benefit coverage on employees' W-2s. The reportable amount includes coverage for the employee and the employee's beneficiaries and dependents. However, only the employee, not beneficiaries and dependents, will receive the information.

### WHAT EMPLOYERS ARE REQUIRED TO COMPLY?

For the 2012 tax year, the disclosure requirement pertains to companies sponsoring fully-insured and self-funded plans that are filing 250 or more W-2s. The requirement affects businesses, tax-exempt organizations, and federal, state and local government entities. Employers filing fewer than 250 W-2s are exempt from the requirement until further guidance is issued.

### WHAT EMPLOYERS ARE EXEMPT FROM COMPLIANCE?

Government entities sponsoring plans primarily for members of the military and their families are exempt from compliance. In addition, federally recognized Indian tribal governments are exempt.

### WHO IS RESPONSIBLE FOR MEETING THE W-2 DISCLOSURE REQUIREMENT?

The employer sponsoring the health plan, not the health insurer or administrator, is responsible for meeting the requirement. The employer also is required to determine the cost information that should be reported and the employees who should receive it.

### WHAT COSTS ARE REQUIRED TO BE REPORTED?

The reportable cost of employer-sponsored coverage includes both the portion paid by the employer and the portion paid by the employee, regardless of whether the employee paid through pre-tax or after-tax contributions.

### IS THE REPORTED AMOUNT SUBJECT TO THE EMPLOYEE'S INCOME TAX?

The amount reported is not subject to income tax. It is solely for employees' information and designed to educate employees about the value of their health care benefits. Its purpose is to provide employees with useful and comparable consumer information on the cost of their health care coverage.

*This communication is not intended to provide either legal or tax advice. Please consult with your legal counsel or professional advisors to determine the effects of the statutes and regulations regarding health care reform on you and your plan members.*

# Affordable Care Act Implementation Alert

## The Affordable Care Act and your health plan

### HOW IS THE COST OF COVERAGE CALCULATED?

Calculation of the cost depends on whether the plan is fully insured or self-funded. Employers sponsoring fully-insured plans may calculate the cost of coverage using the premium amount charged by the health insurer. Self-funded customers may use the following methods:

- **COBRA applicable premium method.** An employer may use COBRA premium costs to calculate cost of coverage.
- **Modified COBRA premium method.** If an employer subsidizes the cost of COBRA coverage, it may use a reasonable good faith estimate of the COBRA premium. If the current year COBRA premium is equal to a prior year premium, the prior year amount can be used in the current year.

### COMPLIANCE REQUIREMENT ACCORDING TO COVERAGE TYPE

The following table will be useful in determining types of coverage that must comply or are exempt from compliance with the requirement.

| COVERAGE TYPE  | REQUIRED | NOT REQUIRED |
|--|----------|--------------|
| Medical plans (including integrated dental and vision)                                     | X        |              |
| Prescription drug plans  | X        |              |
| Employee Assistance Plans (EAP)*   | X        |              |
| Wellness programs*   | X        |              |
| On-site clinics*   | X        |              |
| Long-term care and HIPAA-excluded benefits plans (such as workers' compensation insurance) |          | X            |
| Stand-alone dental and vision plan coverage  |          | X            |
| Contributions to an Archer Medical Savings Account or Health Savings Account               |          | X            |
| Employee salary reduction election for a Flexible Spending Account                         |          | X            |
| Employee contributions to a Health Reimbursement Account                                   |          | X            |

\*Required only if the employer charges a COBRA premium.

### RELATED RESOURCES

Employers and benefit consultants may also reference the following resources for additional guidance.

- [IR-2011-31](#), IRS Issues Interim Guidance on Informational Reporting of Employer-Sponsored Health Coverage
- [Notice 2012-9](#), Interim Guidance on Informational Reporting to Employees of the Cost of Their Group Health Insurance Coverage
- [Notice 2010-69](#), Interim Relief with Respect to Form W-2 Reporting of the Cost of Coverage of Group Health Insurance Under § 6051(a)(14)
- [IRS YouTube Video](#), W-2 Health Insurance Reporting
- [Webinar](#), Reporting of Employer Healthcare Coverage on Form W-2.

To learn more about how Independence Administrators can support you in complying with the requirements of PPACA, or if you have questions about your plan, please contact your Independence Administrators Account Representative.



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