

What Co-ops Need to Know

Affordable Care Act: Tax Reporting Glossary of Terms

<p>Affordable Coverage</p>	<p>Coverage is considered affordable if the employee’s share of the annual premium for the lowest priced self-only coverage is no greater than 9.5% of his or her annual household income. There are three optional affordability safe harbors:</p> <ol style="list-style-type: none"> 1. Form W-2 wages is based on the amount of wages paid to an employee that are reported in Box 1 of the employee’s Form W-2 2. Rate of pay is based on an employee’s rate of pay at the beginning of the coverage period, with adjustments permitted, for an hourly employee, if the rate of pay is decreased (but not if the rate of pay is increased) 3. Federal poverty line treats coverage as affordable if the employee contribution for the year does not exceed 9.5% of the federal poverty line for a single individual for the applicable calendar year <p>One or more of the safe harbors may be used for all employees or a reasonable category of employees, as long as it’s done in a uniform and consistent basis for all employees in a category.</p> <p>Note: People aren’t eligible for a premium tax credit if the coverage they’re offered provides minimum value and is affordable.</p>
<p>Aggregated Group</p>	<p>Commonly owned or otherwise related or affiliated employers, which must combine their employees to determine their workforce size</p>
<p>Applicable Large Employer (ALE)</p>	<p>An employer that has on average 50 or more full-time or full-time equivalent employees for the preceding calendar year. For example, an employer that meets this standard in 2015 is an applicable large employer for 2016. Applicable large employers with 100 or more full-time or full-time equivalent employees are subject to the employer mandate as of January 1, 2015. Employers with 50-99 full-time or full-time equivalent employees will be subject to the employer mandate as of January 1, 2016.</p>
<p>Employer Mandate</p>	<p>Requires that applicable large employers offer health insurance coverage that provides minimum essential coverage, minimum value and is affordable to full-time employees and their dependents, including non-dependent adult children up to age 26, or pay a penalty if at least one employee receives a premium tax credit for the Health Insurance Marketplace.</p> <ul style="list-style-type: none"> ■ 2015—Employers with 100 or more full-time or full-time equivalent employees must offer coverage to 70% of their full-time employees (The “A” Penalty applies if at least one employee receives a premium tax credit for the Health Insurance Marketplace) ■ 2016—Employers with 50 or more full-time or full-time equivalent employees must offer coverage to 95% of their full-time employees (The “A” Penalty applies if at least one employee receives a premium tax credit for the Health Insurance Marketplace)

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	<p>Employers also pay a penalty (the “B” Penalty) for employees who receive a premium tax credit for the Health Insurance Marketplace if the employers offer coverage that either isn’t affordable or doesn’t provide minimum value.</p> <p>The penalties are:</p> <ul style="list-style-type: none"> ■ A Penalty—\$2,000 per year, multiplied by all full-time employees (over 80 full-time employees) ■ B Penalty—\$3,000 per year for each full-time employee who receives a premium tax credit
<p>Full-time Employee</p>	<p>An employee who works on average at least 30 hours per week (or 130 hours per month)</p>
<p>Full-time Equivalent Employee</p>	<p>A combination of employees, each of whom individually isn’t a full-time employee (works fewer than 30 hours per week), but whose hours, in combination, are equivalent to a full-time employee</p>
<p>Fully-insured</p>	<p>Under a fully-insured arrangement, benefits are provided through a group health insurance policy. The insurance company assumes the financial responsibility for medical claims and for all incurred administrative costs.</p>
<p>Health Insurance Marketplace</p>	<p>A network of state and federally facilitated insurance exchanges where individuals and small employers can shop for and compare qualified health insurance plans. In some states, the Marketplace is run by the state; in others, it’s run by the federal government. Also known as the Health Insurance Exchange.</p>
<p>Individual Mandate</p>	<p>Requires that all individuals obtain health insurance that provides minimum essential coverage or pay a monthly penalty for each month they’re without health insurance coverage. For adults, the monthly penalty is $\frac{1}{12}$ of the greater of the dollar penalty or the gross income penalty amounts:</p> <ul style="list-style-type: none"> ■ 2015—Tax penalty is \$325 per individual to a maximum of \$975 per family, or 2% of household income ■ 2016—Tax penalty is \$695 per individual to a maximum of \$2,085 per family, or 2½% of household income
<p>Minimum Essential Coverage</p>	<p>Minimum essential coverage means coverage under any of the following programs:</p> <ul style="list-style-type: none"> ■ Health plans offered in the individual market ■ Grandfathered health plans ■ Government-sponsored programs ■ Employer-sponsored plans ■ Other health coverage designated by the Department of Health and Human Services as minimum essential coverage <p>All NRECA medical plans provide minimum essential coverage.</p>

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Minimum value	<p>An employer-sponsored plan provides minimum value if it covers at least 60% of the total cost of medical services for a standard population. All NRECA medical plans provide minimum value coverage.</p> <p>Note: People aren't eligible for a premium tax credit if the coverage they're offered provides minimum value and is affordable.</p>
Premium Tax Credit	<p>A tax credit for eligible individuals and families with low or moderate incomes. The credit provides premium assistance to help them afford health insurance purchased through the Health Insurance Marketplace.</p>
Responsible Individual	<p>This is the person through whom all covered individuals are enrolled in coverage. It could be a primary insured employee, a former employee, a parent or another person enrolling individuals in coverage. Forms 1095-B and 1095-C must be provided to these individuals, accordingly. There's no requirement to provide these statements to other covered individuals, such as dependents.</p>
Self-funded/Self-insured	<p>Under a self-funded (or self-insured) arrangement, health benefits are not provided through a group health insurance policy (even though an insurance company might provide the provider network or other services). The employer or plan sponsor creates its own benefit plan, assumes the financial risk of funding the health plan from its assets, and is responsible for managing and administering the benefit plan and processing claims for benefits. The NRECA Medical Plan is a self-funded, multiple employer plan.</p>

