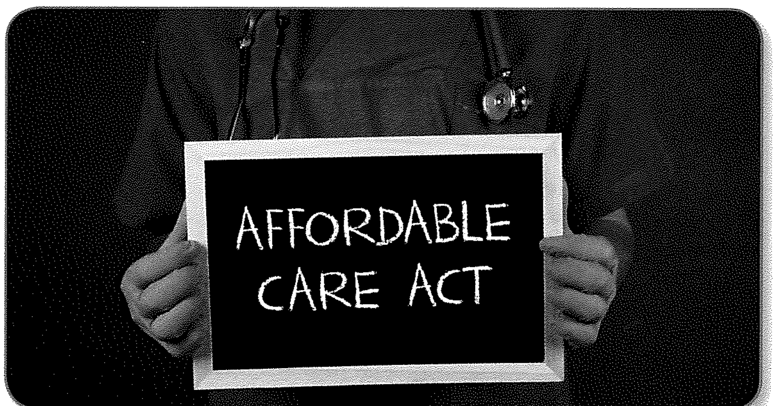
New healthcare mandates coming in 2016

Next year, more employers – including medical practices – will be subject to the requirement to offer their employees health benefits compliant with the Affordable Care Act.

Additionally, the percentage of total employees who must be covered will increase, and the number of employees excluded from any penalties will decrease.



Under the Affordable Care Act (ACA), employers with 50 or more full-time equivalent (FTE) employees (those averaging more than 30 hours per week) must offer ACA-compliant health benefits to at least 95 percent of employees and their dependents up to 26 years old in 2016. The benefits must provide minimum value and be affordable.

Minimum value is defined as a health plan designed to pay at least 60 percent of the total cost of medical services for a standard population. Employer coverage currently is considered affordable if the employee's share of the annual premium for the lowest-priced self-only plan is no greater than 9.56 percent of annual household income. The percentage will rise to 9.66 for calendar year 2016.

The penalty for noncompliance, also known as the Employer Shared Responsibility Payment, is $2,000 per FTE employee. However, the penalty does not apply to the first 30 employees.

Even if an employer offers ACA-compliant health benefits to at least 95 percent of employees, if only one full-time employee receives a premium tax credit, the employer can still be liable for the penalty.

Because an employer generally will not know the employee's total annual household income, three safe harbors were established under which an employer could determine affordability. A safe harbor is a legal provision to reduce or eliminate liability as long as good faith is demonstrated.

- The Form W-2 wages safe harbor
- The rate-of-pay safe harbor
- The federal-poverty-line safe harbor

If an employer meets the requirements of a safe harbor, the offer of coverage is deemed affordable. Use of a safe harbor is optional.

"An employer may choose to use one or more of these safe harbors for all of its employees or for any reasonable category of employees," noted the Federal Register of Feb. 12, 2014, "provided it does so on a uniform and consistent basis for all employees in a category."

For employers using a safe harbor, affordability is considered 9.5 percent based on differing formulas for monthly and hourly employees. That percentage will remain the same in 2016.

Reporting requirements to begin

Beginning in 2016, applicable large employers with 50 or more FTE employees are required to report to the IRS information on health plan enrollment for the prior year, including:

- Which employees were enrolled in each month,
- Which employees were not enrolled, and
- The lowest-cost option of self-only coverage providing minimum value offered under any of the enrollment categories for which the employee is eligible.

Employers will be required to provide Form 1095-C, Employer-Provided Health Insurance Offer and Coverage, to the IRS by Feb. 28 following the reporting calendar year or March 31 if reporting electronically. Employers must also provide related Form 1094-C to their employees by Jan. 31.

*See **Mandates** on page 4*

A financial and management bulletin to physicians and medical practices from:

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Do you have enough personal insurance?

Woody Allen once said, "There are worse things in life than death. Have you ever spent an evening with an insurance salesman?"

As boring as that prospect might be, we all need to protect ourselves from risk and the financial damage that can ensue.

Unfortunately, all too often people purchase insurance policies and then file them away without a second thought. But situations change and our needs with them. Insurance experts offer up some mistakes people make that can cost them dearly.

Life insurance

How much is enough life insurance? Life Happens, a nonprofit organization dedicated to educating consumers about life insurance, offers a free downloadable booklet, "What You Need to Know About Life Insurance," that includes a worksheet to help you get a sense of how much life insurance you need.

Some experts broadly recommend having a life insurance policy that pays a benefit between seven and 10 times annual income. But a 2013 survey by Nationwide Financial found that 98 percent of consumers who are married, are partnered or have dependents lack enough life insurance coverage to replace their income.

When analyzing your specific needs, a financial adviser considers what your family will need to meet immediate, future and ongoing financial obligations. The amount of your savings, investments, spouse's earnings, retirement accounts, income-producing assets and any other life insurance policy you may have is then subtracted from the total to determine appropriate coverage.

In addition to not having enough insurance, a common mistake people make is not changing their beneficiary designation as circumstances change – marriage, divorce, addition of children. Regardless of what may be in your will, your life insurance proceeds will go to the beneficiary on file.

It's also important to name a secondary beneficiary should the primary beneficiary predecease you. If there is no living beneficiary, the proceeds go to the estate and are subject to probate. Additionally, the proceeds are no longer protected from creditors' claims.

If you plan to include a minor child as a beneficiary, you should set up a trust or appoint a legal guardian to handle the proceeds. Otherwise, the courts will do so and will manage the money until the child is of legal age.

Disability insurance

Loss of income due to illness or injury can be devastating. Disability insurance can protect your income stream in the short or long term.

Unfortunately, policies typically cover only about 60 percent of earned income, according to the National Association of Insurance Commissioners (NAIC), and benefits are capped so that a high-income earner may be covered for a lower percentage of income. Benefit payments do not automatically increase as income rises.

Additionally, not all policies take inflation into consideration when calculating benefit payments, the NAIC says.

High-income earners should consider adding a cost-of-living adjustment rider and/or purchasing an additional high-limit disability plan. These plans have been developed to meet the needs of high-income earners like physicians.

As supplemental policies, these plans are written on top of group or individual disability insurance. Make certain that any disability policy purchased is written as an "own occupation" policy, which defines disability as being unable to perform the functions of your specific job – even if you would be capable of working in a different occupation.

Another consideration is whether to pay group premiums on a pre- or post-tax basis. When premiums are paid with pretax dollars, any benefit paid is taxable.

The IRS may still require insureds who switch from pre- to post-tax dollars to pay taxes if they become disabled within three years, albeit on a prorated basis. To avoid the three-year rule, an insured can make an irrevocable election to pay premiums with post-tax dollars.

A corporate practice can create a 162 Bonus Plan to fund group long-term disability premiums post-tax. The bonus is taxable to the physician as income and to the practice as a deductible business expense.

Umbrella coverage

High-income earners are often seen as deep pockets when it comes to personal liability lawsuits. Typical auto and homeowner insurance policies may not offer coverage sufficient to protect the value of your assets.

A supplemental umbrella liability policy can provide additional protection of your assets and future earnings at a relatively low cost. A $1 million policy costs less than $300 annually.

In addition, insurers usually offer a discount if you purchase an umbrella policy along with your auto or homeowner coverage. However, consult with your insurance agent to make sure you have sufficient coverage under other insurance. If not, in some cases, the umbrella policy may not apply.

The Insurance Information Institute recommends reviewing all of your insurance needs annually and contacting your insurance agent or company representative if you have a major life change. ■

Make your website stand out from the crowd

The modern medical practice's website is its face to the world. It gives current and prospective patients a picture of the who, what, where and when of your practice.

A good website should be attractive and easy to navigate. But a successful Web presence requires more than just pretty pictures, bios of medical staff and specialties, forms, location and office hours. Those practices not offering more can be missing out on an opportunity to grow and increase patient satisfaction.

Be informative

It should be no surprise that a majority of consumers search online to find local businesses.

A 2014 survey by BrightLocal, which provides search engine optimization (SEO) tools, asked consumers what types of local businesses they searched for in the prior 12 months. Of the respondents, 38 percent had searched for a doctor or dentist on the Internet - second only to restaurants/cafes (58 percent).

In addition, three-fourths of Internet users said they searched online for health information during the prior 12 months, according to a September 2012 Pew Internet Project research survey.

Make sure you include information on your website that prospective patients want to know, such as hospital affiliations, accepted insurance plans, after-hours care, your prescription refill policy, and payment and billing procedures.

Tap into consumers' search behavior by adding health

information to your website. This content is not only helpful to your patients but a great way to draw prospective patients to your site. Relevant content that includes specific terms consumers use when searching will improve your website's ranking by search engines as well.

Practices have educational material already on hand. Make use of handouts about various conditions and treatments by posting them to your site, and include a frequently asked questions section. Or add links to educational websites that offer such information.

Develop your own material detailing the various procedures you offer and what patients can expect as part of their treatment.

Make sure you include information on your website that prospective patients want to know, such as:

- ➜ Hospital affiliations
- ➜ Accepted insurance plans
- ➜ After-hours care
- ➜ Prescription refill policy
- ➜ Payment and billing procedures

But be sure that the text is full of keywords that consumers use when seeking information.A good SEO consultant can help maximize your site's visibility.

Add functionality

Consider adding interactive features and online services for your patients. A 2014 Harris Poll survey on behalf of the National Partnership for Women & Families found that consumers want even more robust functionality and features of online access than are available today, including the ability to:

- ◆ Email providers (56 percent)
- ◆ Review treatment plans (56 percent), doctors' notes (58 percent) and test results (75 percent)
- ◆ Schedule appointments (64 percent)
- ◆ Submit medication refill requests (59 percent)

If your practice has created a social media presence such as Facebook or Twitter, ensure that your website links to those accounts.

Think mobile

The Pew study found that one-third of cell phone owners and more than half of smartphone owners have used their phones to look up health or medical information. So it's important to ensure that your website is optimized for easy loading and reading.

Responsive design serves all devices and adjusts for screen size. Google offers a free test on its website that can analyze your current website for mobile friendliness. Go to www.google.com/webmasters/tools/mobile-friendly.

If you haven't changed your website for several years, it may be time to refresh it and add the kinds of information and functionality that consumers want in today's tech-savvy world. ■

Our thanks to Irene E. Lombardo for her editorial contributions to this publication.

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Mandates *continued from front*

The IRS will use the information reported to determine whether an employer is subject to any penalties and whether an employee is eligible for a premium tax credit.

Although employers with between 50 and 100 employees are not subject to the employer mandate until 2016, they still must report to the IRS on 2015 health plan enrollment. Many, if not most, employers will need to upgrade their payroll systems to be able to track the required data.

Reimbursing employees for premiums

Practices that are considering eliminating group health benefits and reimbursing their employees a certain amount for purchasing their own health insurance will run afoul of the law and will be subject to an excise tax.

A health reimbursement account (HRA), flexible spending account (FSA) or other similar employer arrangement cannot cover health insurance premiums for individual policies purchased either through a health exchange or through the individual market not affiliated with an exchange. Doing so subjects the employer to an excise tax of $100 per day for each employee up to a maximum of $36,500 per year per employee covered under such an arrangement.

The IRS has defined HRAs, FSAs and other similar arrangements as group health plans. Reimbursing individual policy premiums violates ACA market reform provisions.

The prohibition applies whether or not the reimbursement is made in pretax or after-tax dollars. It also applies to S corporations that have set up a reimbursement arrangement for employees owning more than 2 percent of company stock.

Good news: The IRS and the Treasury Department have announced another delay, one of many, in enforcing the law on small employers. They will not begin to levy the penalty on HRA-type arrangements until July, sparing employers of the excise tax for all of 2014 and through the first six months of this year. For those companies with a 2 percent shareholder-employee healthcare arrangement, the excise tax will not be asserted until additional guidance is issued or at least through the end of 2015.

The IRS has warned that Code 105 reimbursement plans cannot be integrated with individual market policies. Under these plans, an employer enables employees to select individual health plans through a broker or agent. Such plans violate ACA provisions and can subject employers to the excise tax penalty.

An alternative is for an employer to raise its employees' taxable wages. However, there can be no requirement that the additional wages be used to pay for health insurance premiums. ■