

Healthcare Reform Update

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Health Insurance Exchanges - Employer Coverage Tool

June, 2013

The Affordable Care Act (ACA) calls for the creation of state-based competitive marketplaces, known as **Affordable Health Insurance Exchanges** (Exchanges), for individuals and small businesses to purchase private health insurance. ACA requires the Exchanges to become operational in 2014. According to the Department of Health and Human Services (HHS), the Exchanges will allow for direct comparisons of private health insurance options based on price, quality and other factors, and will coordinate eligibility for premium tax credits and other affordability programs.

On April 30, 2013, HHS released three simplified and shortened versions of Exchange applications that will be used by individuals seeking to enroll in health insurance coverage through an Exchange in 2014. HHS has also included an **Employer Coverage Tool** that Exchanges will use to verify employer-sponsored coverage.

- The [application for individuals who are applying for affordability programs](#) is five pages long and will be used by single adults who are not eligible for employer-sponsored coverage.
- The [application for individuals who are not applying for affordability programs](#) is also five pages long and can be used by anyone who is not eligible for premium tax credits, cost-sharing reductions, Medicaid or CHIP coverage.
- A longer, 12-page [application for those who are applying for affordability programs](#) is also available for families and single adults who are offered coverage through an employer. The Employer Coverage Tool can be found in Appendix A (at the bottom) of this application.

These applications will be used in states with a federally facilitated Exchange (FFE). States that are operating their own Exchanges will have the option of using these applications or developing their own.

Enrollment in the Exchanges for eligible individuals and small businesses is expected to begin on Oct. 1, 2013.

Employer Coverage Tool

The **Employer Coverage Tool** can be found in Appendix A (at the bottom) of the [12-page paper application](#). This form is intended to assist employees in gathering information about health coverage offered by an employer.

Although the Employer Coverage Tool will not be submitted to the Exchange with the individual's application, employees can use the information provided in this form to help them answer questions in the Exchange application.

Required Information

The Employer Coverage Tool asks employers to provide information on their health plan's eligibility requirements, applicable waiting periods, premium costs, whether the plan provides minimum value and whether any changes will be made to the plan for the new plan year. Employees will need this information to complete the Exchange application and to determine their eligibility for affordability programs (such as advance payment of premium tax credits, cost-sharing reductions, Medicaid and CHIP coverage).

In addition to the information required on the Employer Coverage Tool, applicants will be required to provide certain demographic and financial information, such as:

- The number and relationship of household members, if any (including a spouse, dependent child, unmarried partner and any other tax dependents or children in the household);
- Federal income tax filing status;
- Disability, if any;
- Citizenship;
- Income for the year;
- Average number of hours worked each week;
- Federal income tax deductions; and
- Health coverage (whether currently enrolled or eligible).

Implications for Employers

HHS anticipates that individuals who are applying for tax credits or cost-sharing reductions will ask their employers to complete this one-page form to help the Exchange verify whether the individual is:

- Enrolled in employer-sponsored coverage; or
- Eligible for employer-sponsored coverage that meets the affordability and minimum value standards.

This is significant because ACA's shared responsibility penalty for large employers is triggered when a full-time employee receives a premium tax credit or cost-sharing reduction for coverage under an Exchange. Employees who are enrolled in employer-sponsored coverage or eligible for employer-sponsored coverage that meets the affordability and minimum value standards are not eligible for the premium tax credit or cost-sharing reductions.

A plan fails to provide minimum value if the plan's share of total allowed costs of benefits provided under the plan is less than **60 percent** of those costs. In addition, employer-sponsored coverage is not considered affordable if the employee's cost for self-only coverage exceeds **9.5 percent** of the employee's household income for the tax year. Although the rule measures affordability based on household income, the Internal Revenue Service (IRS) established three safe harbors for

employers to use, which measure affordability based on the employee's W-2 wages, the employee's rate of pay or the federal poverty level for a single individual.

Actions For Employers

In order to determine an employee's eligibility for premium tax credits or cost-sharing reductions, and an employer's potential liability for pay or play penalties, it is important that the Exchange has accurate and complete information regarding the employer's health coverage.

Employers should familiarize themselves with the information requested on the Employer Coverage Tool. In addition, employers may want to download the final template from an Exchange website and pre-populate it with information about their health coverage.

Please contact [GCG Financial, Inc.](#) for more information on the Exchanges.

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www.gcgfinancial.com

Illinois (847) 457-3000

Denver (303) 770-9970

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