

HEALTH CARE REFORM: 40% EXCISE TAX, REPORTING REQUIREMENTS AND OTHER HOT TOPICS

Cigna Health Care Reform Consulting and Communications

September 29, 2015

Kari Stevens

Together, all the way.SM



Agenda

- 1 Legislation and impacts
- 2 40% excise tax (aka “Cadillac Tax”)
- 3 Reporting requirements
- 4 Wellness
- 5 Other hot topics: The latest from DC
- 6 Resources



Legislation and Impacts

PPACA: Five years and counting

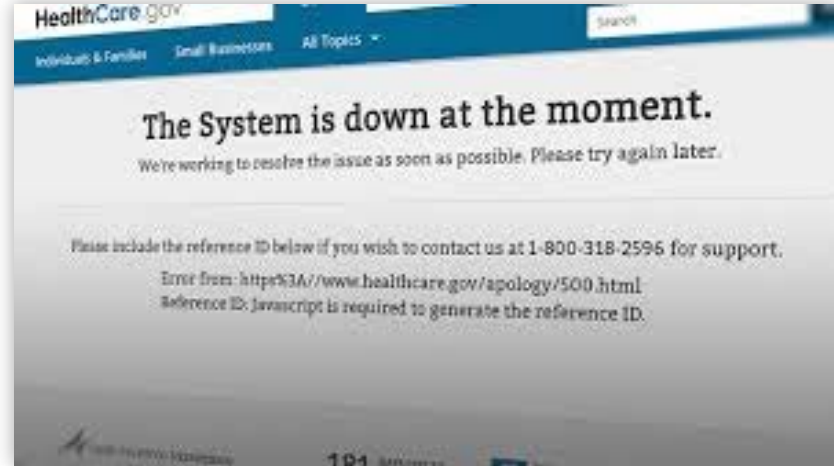


Patient Protection and Affordable Care Act (PPACA)

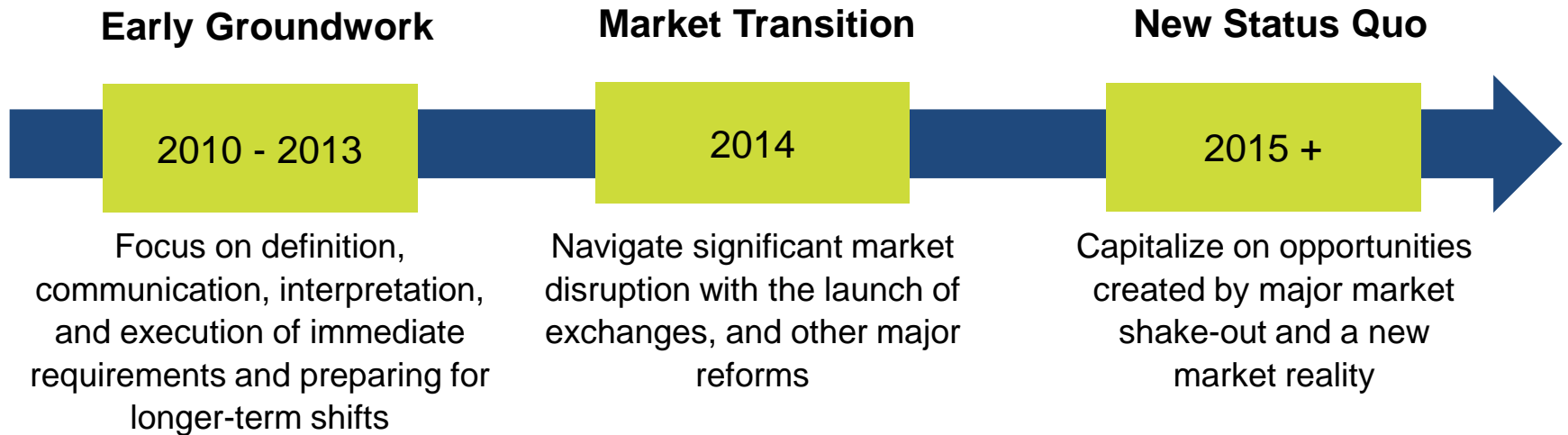
- Commonly known as Health Care Reform or the Affordable Care Act (ACA)
- Signed into law in March 2010
- Many changes have already taken effect
- Continuing to be implemented over the next several years



Challenges, Delays and Breakdowns: Uncertainty Amid Implementation



PPACA Roadmap: Early Analysis



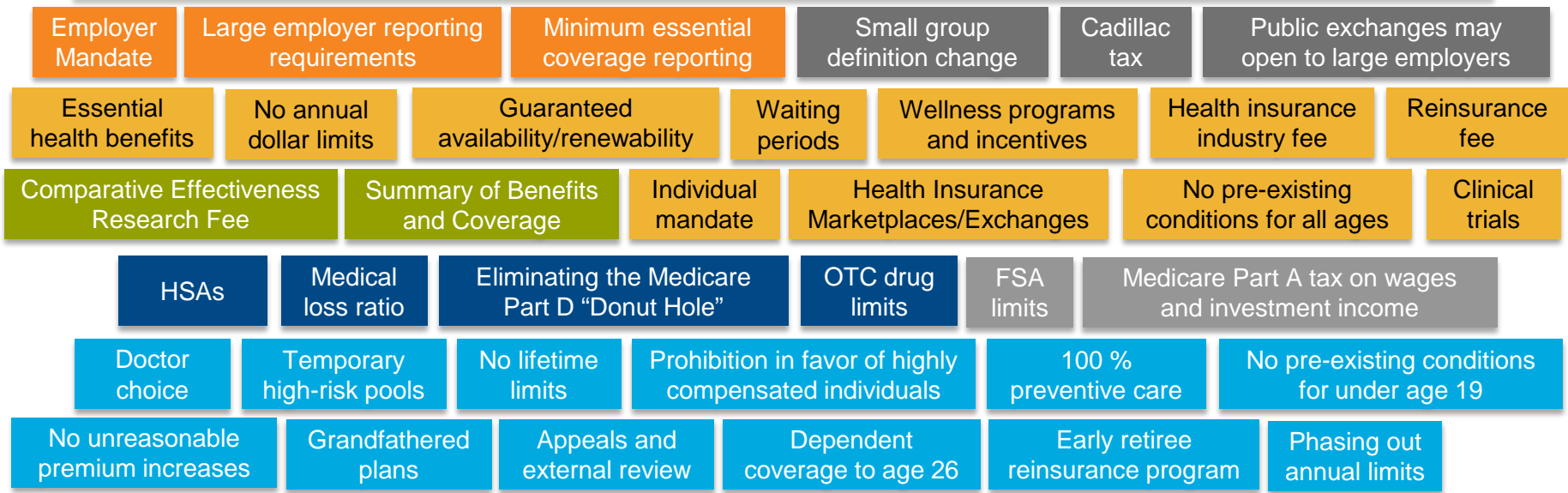
Provision Timeline

2010



2016 AND BEYOND

55 PPACA provisions already implemented with 12+ in progress or on the horizon



Cigna's Guiding Tenets



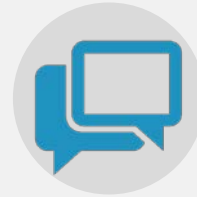
Strategy

- Position clients and customers for long-term success
- Effect real 'reform' together



Compliance

- 100% compliant
- Dedicated implementation resources



Communications

- "Go-to" resource for clients and brokers
- Award-winning website and web meeting series
- Dedicated communications team



Advocacy

- Advocate for sustainable, market-based reform
- Preferred partner; maximum influence; early insight



“Informed on Reform”: Flagship Communications

InformedOnReform.com
25,000 monthly visits



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INFORMED ON REFORM

GET THE BASICS OF THE LAW

The Patient Protection and Affordable Care Act is a complicated law. These pages offer simplified descriptions of the rules and perspective on impacts to employers, individuals and the industry.

[SEE REFORM TOPICS OVERVIEW](#)



INFORMED ON REFORM

[NEWS](#) | [SCAN TIMELINE](#)

Employer Readiness on Upcoming Requirements Part 1

Download this presentation on InformedOnReform.com under Reform News
Web meeting call-in number: 800.644.8235 | Passcode: 801258

September 24, 2014
Health Care Reform

Web Meeting Series
Over 60,000 participants
94% average satisfaction rate

INFORMED ON REFORM

KEEPING YOU UP-TO-DATE ON THE PPACA

Health Care Reform Alert

November 25, 2014

Proposed Regulations on 2016 Benefit and Payment Parameters

On November 21, the Department of Health and Human Services (HHS) issued proposed regulations that address a variety of Patient Protection and Affordable Care Act (PPACA) benefit provisions for 2016 affecting both the group and individual markets. There is a 30-day comment period on these proposed regulations. Here is an overview of some of the key provisions.

CHANGES AFFECTING GROUP HEALTH PLANS

2016 Reinsurance Fee Contribution Amount

The Reinsurance Fee applies to insured and self-funded group health plans for calendar years 2014 through 2016. The 2015 fee amount of \$44 was announced previously. The proposed fee for 2016 is \$27 per covered individual.

Insured expatriate plans do not have to pay the reinsurance fee. The regulations propose that self-insured expatriate plans also not be required to pay the reinsurance

Breaking News Alerts
Published our 100th in July!



40% Excise Tax

A.K.A. The Cadillac Tax



Polling Question

What are you doing to proactively approach the Cadillac tax and potential exposure?



1. Adding a consumer-driven plan
2. Enhancing our consumer-driven offering
3. Additional health and wellness initiatives
4. Other plan design considerations
5. Still working on strategy



40% Excise Tax: Legislative History

Background

- Created to reduce health care cost growth in employer-sponsored insurance and raise revenue to offset the cost of the ACA's coverage expansion
- Alternative to changing the tax treatment of employer-sponsored health benefits for individuals

Recent Updates

- IRS has begun regulatory process – Two notices so far, February and July 2015; proposed regulations expected before the end of the year
- Pending legislation to repeal
- Industry group action
- www.fightthe40.com

High-cost “Cadillac” Plan Health Care Excise Tax

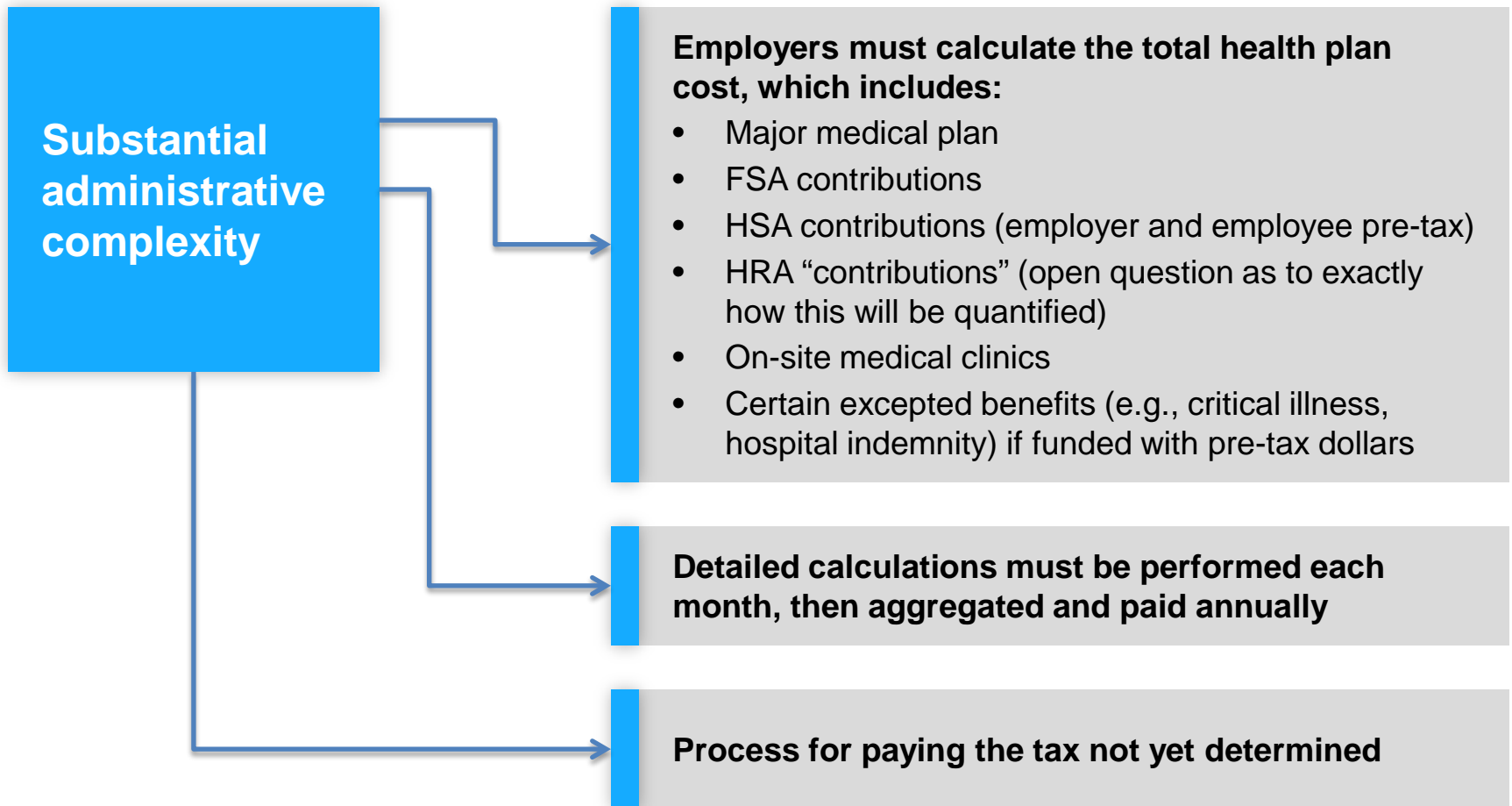
Effective
beginning
in 2018

A non-deductible 40% excise tax on coverage that exceeds certain thresholds

- For 2018: \$10,200 for EE-only coverage; \$27,500 for family coverage
 - Additive adjustments allowed for groups with a high cost age/gender profile or comprised of workers in high-risk occupations
 - No allowances for other cost drivers (geography, health profile, etc.)
- For 2019+: Threshold amounts increase with the CPI (CPI+1% for 2019 only)
 - Increase in health plan costs expected to exceed the CPI, which would subject more plans to the tax over time



40% Excise Tax – Administrative Complexity



Examples Based on 2018 Plan Costs (Copay Plan)



Self-only coverage

For a \$12,000 employee-only plan, the excise tax is \$720 per covered employee:

$$\begin{array}{r} \$12,000 \\ - \$10,200 \\ \hline = \$ 1,800 \end{array}$$

above the
\$10,200 threshold

$$\$1,800 \times 40\% = \$720$$



Family coverage

For a \$32,000 family plan, the excise tax is \$1,800 per covered employee:

$$\begin{array}{r} \$32,000 \\ - \$27,500 \\ \hline = \$ 4,500 \end{array}$$

above the
\$27,500 threshold

$$\$4,500 \times 40\% = \$1,800$$

Health Care Excise Tax: Potential Impacts and Predictions

Who?

For 2018, at least 17% of all U.S. employers, 38% of large employers

What?

- Expect employers to:
- Avoid tax with reduced health benefits
 - Increase wages to offset benefits

Why?

Higher taxable wages create new federal revenues

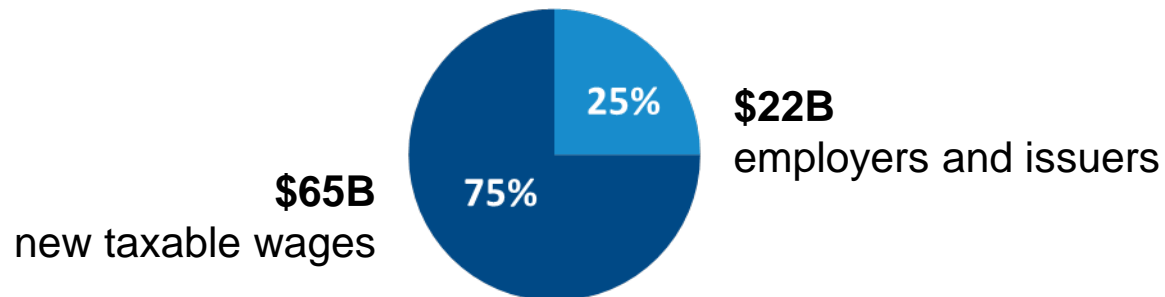
Result?

Rising health care costs:

- Difficult for employers to avoid the excise tax
- Greater consumer burden

Congressional Budget Office estimates \$87 billion in revenue 2018–2024

Excise tax revenues



Cadillac Tax

Impacts and Strategies



82% of large employer plans may trigger tax by 2023*

Market Implications

- Network-based solutions
- Employee health improvement programs
- Benefit design changes
- Employee engagement and health ownership strategies (consumer-driven strategies)

* Towers Watson –2014 Health Care Changes Ahead



Reporting Requirements

Two distinct sets

Polling Question

Which of the following large employer reporting items poses the greatest challenge to your organization?



1. Determining if coverage is affordable and minimum value
2. Reporting by controlled group member
3. Calculating total number of employees
4. Reporting data by calendar month
5. Sourcing data to populate the IRS Forms 1094C and 1095C



Two Sets of IRS Reporting

Employer Mandate vs. Individual Mandate

Employer Mandate

IRS code 6056 –
Large employer reporting

- > Verifies employers offered minimum essential coverage (MEC)* in a given calendar year
- > First reporting is on coverage offered in 2015

Individual Mandate

IRS code 6055 –
Minimum essential coverage

- > Verifies individuals had minimum essential coverage (MEC) in a given calendar year
- > First reporting is on coverage obtained in 2015

** All group medical plans are considered minimum essential coverage*



Two Sets of IRS Reporting Filing Responsibilities

Employer Mandate
IRS code 6056 –
Large employer reporting



Applicable large employers
REPORT

Forms
1094-C &
1095-C



EMPLOYEES

Individual Mandate
IRS code 6055 –
Minimum essential



Employers with self-insured health plans
REPORT

Forms
1094-C &
1095-C



EMPLOYEES

Individual Mandate
IRS code 6055 –
Minimum essential



Insurers with fully-insured health plans
REPORT

Forms
1094-B &
1095-B



EMPLOYEES



Two Sets of IRS Reporting Special Considerations

Employer Mandate

IRS code 6056 –
Large employer reporting



Applicable large
employers
REPORT

Forms
1094-C &
1095-C



Forms
1095-C



EMPLOYEES

Individual Mandate

IRS code 6055 –
Minimum essential



Employers with
self-insured health plans
REPORT

Forms
1094-C &
1095-C



Forms
1095-C



EMPLOYEES

- > **Small employers** that self-insure health plans will report using the 1094-B and 1095-B forms
- > **COBRA/non-employees**, such as retirees and divorced spouses
- > **Multiemployer plans**, plan administrator can prepare returns for employers

Two Sets of IRS Reporting On the Preceding Calendar Year

Employer Mandate

IRS code 6056 –
Large employer reporting

Individual Mandate

IRS code 6055 –
Minimum essential coverage

**Effective on 2015 coverage
– first reporting in 2016**

Annual report: coverage in
previous calendar year

Due to
employee

January
31

Due to
the IRS

March
31

* Less than 250 Forms 1095 can be mailed into
the IRS if postmarked by February 28

Employers with 2015 transitional relief from the employer mandate* must still
report on 2015 coverage in 2016



* Employers with 50-99 full-time and FTE employees

IRS Reporting Returns Filing Basics for Employers

Large employer reporting –
IRS code 6056

Minimum essential coverage
– IRS code 6055

Due annually during tax-filing season

- **Less than 250 Forms 1095 – can be mailed**
 - Must be postmarked by February 28
 - One of two IRS Centers (Missouri or Texas)
- **More than 250 Forms 1095 – must be filed electronically**
 - E-file via the **ACA Information Return (AIR) system** by March 31
 - E-file preparation – steps to complete before filing
 1. Register with the IRS's e-services website
 2. Obtain an AIR Transmitter Control Code (TCC)
 3. Pass technical/systems tests, not yet available



Who Files Which IRS Forms

How it all Comes Together

	Large Employer Reporting (Code 6056 – Employer Mandate)	Minimum Essential Coverage (Code 6055 – Individual Mandate)
Insured Large Employer	Form 1094-C (transmittal/cover sheet) Form 1095-C (only parts I & II)	Insurer reports using Forms 1094-B and 1095-B
Self-Insured Large Employer	Form 1094-C (transmittal/cover sheet) Form 1095-C (entire form)	
Self-Insured Small Employer	Does not apply	Forms 1094-B (parts I & III) and 1095-B (parts I, III & IV)

*Annual return (report) to the IRS, due March 31**

Annual written statement to each full-time employee, due January 31

* Less than 250 Forms 1095 can be mailed into the IRS if postmarked by February 28



Cigna's Support for Reporting Requirements

Cigna's PPACA Fees & Reporting Resources

1-855-275-0555, (8:30 a.m. – 7:30 p.m. ET, M-F)

ASO_PPACA_Fees&Reporting@Cigna.com

Available to help employers and broker partners

Understand IRS Processes, reports, general questions and unique scenarios

Reporting Requirements Toolkit

www.cigna.com/reporting-requirements-toolkit

Simplified information, Cigna resources, IRS forms and instructions



Wellness Programs and Incentives

How PPACA and ADA rules work together



Wellness programs and incentives

Used by employers as incentives to achieve and maintain a health lifestyle with long-term goal of controlling health care spending

Participatory

Activity-Based

Outcome-Based



Legal Challenges and Uncertainty to Wellness

Media headlines

Seff v. Broward County

Congress Reacts to
Honeywell Case

PPACA Wellness Final Regulations

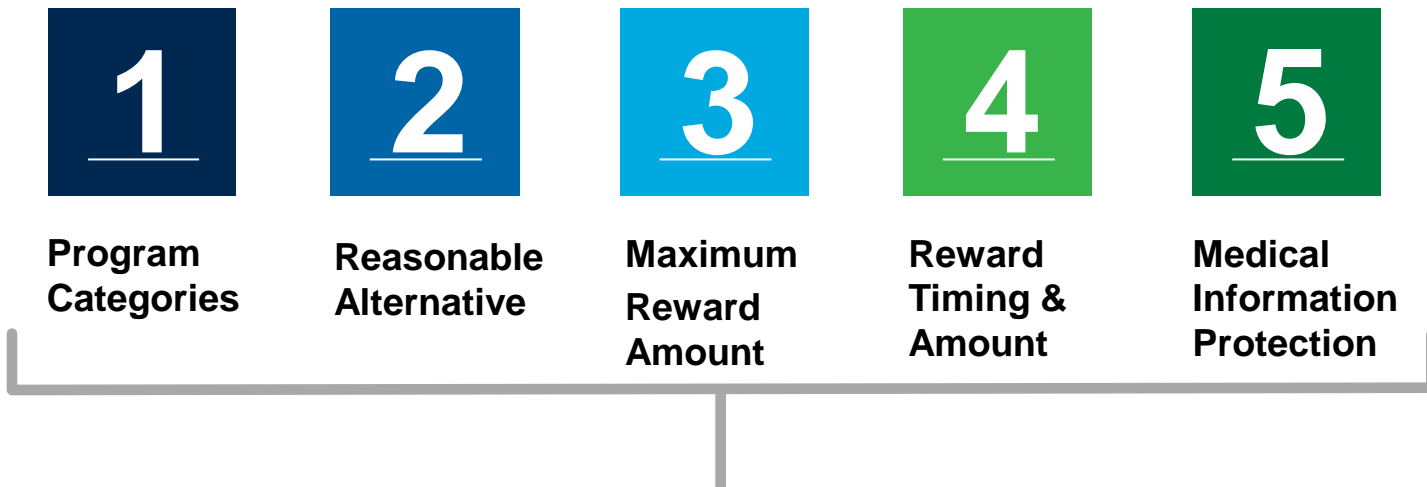
EEOC v.
Honeywell Inc.

EEOC Issues
Proposed ADA
Regulations

EEOC v. Flambeau Inc.

EEOC v. Orion Energy Systems

PPACA Final Rules and ADA Proposed Rules Regulations Cover Five Areas



Goals

- Support incentives that encourage customers to improve health
- Protect customers against unfair practices based on their health
- Applies equally to all clients and customers



Comparison Chart: PPACA v. ADA RULES

Key Differences

Existing PPACA Regulations Final in 2013	EEOC Proposed ADA Regulations Proposed in April 2015
Enforced by: IRS, HHS, DOL	Enforced by: EEOC
Applies to: wellness programs that are group health plans	Applies to: any employer wellness program
Other Key Differences:	
Incentive amount Reasonable alternatives Privacy notification	



Employer considerations and next steps

- 1 “Penalties” vs. “rewards”
- 2 Boost reward/penalty levels
- 3 Comply with notice/feedback/confidentiality requirements
- 4 Medical plan with wellness program – preserve *Seff* argument
- 5 Monitor federal requirements*
- 6 Ensure reasonable accommodations
- 7 No adverse action against employees for non-participation

* ACA, ADA, ERISA, HIPAA, GINA and IRC

The Latest From DC: Other Issues to Watch



King v. Burwell impact



Full-time employee definition



Expansion of public exchanges



Revival of “Lost Provisions”
(Non-discrimination, auto-enroll, HPID)

RESOURCES

Cigna Health Care Reform Consulting and Communications Team



You don't have to go it alone!

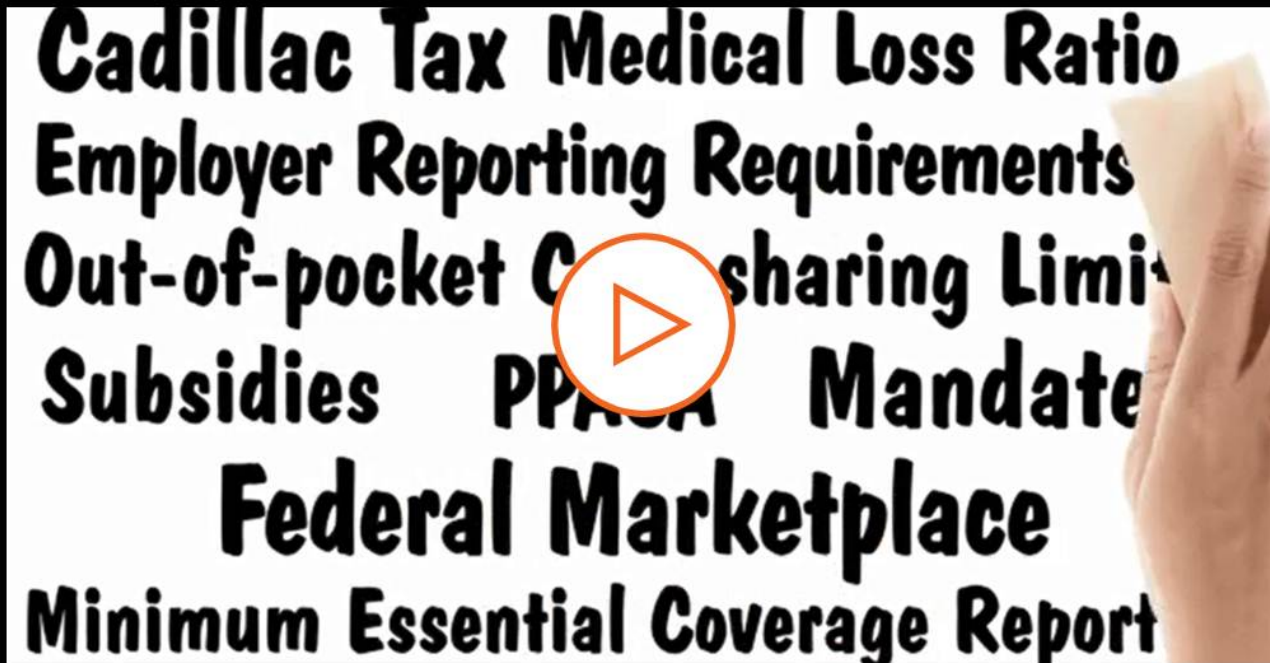
The Cigna Health Care Reform Consulting and Communication team works directly with employers and brokers, along with providing industry-leading on-demand resources

- InformedOnReform.com, our award-winning website
- Informed On Reform web meeting series
- Health Care Reform for you infographic tool (HCRforYOU.com)
- Breaking news alerts
- Partnership with Groom Law Group to help answer your questions
- ASO service team, 1-855-275-0555
8:30 a.m. – 7:30 p.m. ET, M-F
Reinsurance fee, CERF and reporting requirements
ASO_PPACA_Fees&Reporting@Cigna.com
- Continuing education (CE) classes

The screenshot displays the 'Informed On Reform' website. At the top, there is a navigation bar with the Cigna logo and links for 'Login to MyCigna', 'Find a Center', and 'Search'. Below the navigation bar, the main header features the 'INFORMED ON REFORM' logo and the tagline 'GET THE BASICS OF THE LAW'. A prominent blue banner highlights 'GET THE BASICS OF THE LAW' with a sub-headline: 'The Patient Protection and Affordable Care Act is a complicated law. These pages offer simplified discussions of the rules and perspectives on impacts to employers, individuals and the industry.' Below this, there are four news alerts in a grid format, each with a 'READ MORE ALERT' button. The alerts include: 'DRAFT INSTRUCTIONS FOR IRS REPORTING HOW AVAILABLE', 'CONTRACEPTIVE REGULATIONS ISSUED ON 8-22-14', 'DRAFT IRS INFORMATION REPORTING FORMS AVAILABLE', and 'TWO FEDERAL COURTS RULE ON SUBSIDIES'. A 'Featured Topics' section follows, with two highlighted items: 'EMPLOYER ADMINISTRATIVE RESPONSIBILITIES' and 'FEES AND TAXES'. Below this is a 'Reform Resources' section with three icons: 'REFORM TIMELINE', 'A-Z FREQUENTLY ASKED QUESTIONS', and 'WEB MEETING REPLAY'. At the bottom, there is a 'CONFUSED BY REFORM?' section with a link to 'LEARN MORE'.



Video: Cigna Health Care Reform Consulting and Communications



Q&A



Offered by: Connecticut General Life Insurance Company or Cigna Health and Life Insurance Company.

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