

LEGISLATIVE BRIEF

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Employee Benefits Compliance Checklist for Large Employers

Federal law imposes numerous requirements on the group health coverage that employers provide to their employees. Many federal compliance laws apply to all group health plans, regardless of the size of the sponsoring employer. However, there are some additional compliance requirements for large employers, mainly due to the Affordable Care Act's (ACA) penalty rules for applicable large employers.

There is no overall definition for "large employer" under federal employee benefits laws. For purposes of this checklist, a large employer is an employer that has **50 or more employees**.

AFFORDABLE CARE ACT

Applicability

The ACA has many complex requirements for employers and health plans. Many of the ACA's reforms apply to employers and health plans of all sizes, with narrow exceptions for certain types of plans (for example, retiree medical plans). Large employers, however, have additional compliance considerations under the ACA due to the penalty rules for applicable large employers (ALEs).

The ACA's reforms have staggered effective dates. For example, many of the health coverage changes became effective for plan years beginning on or after Jan. 1, 2014. Some other ACA changes take effect in 2015 or 2016, such as the employer penalty rules for ALEs and the reporting rules under Sections 6055 and 6056 of the Internal Revenue Code (Code).

Health Coverage Changes

The following checklist provides a high-level overview of key health coverage reforms that apply to large employer health plans:

- Must provide **comprehensive health coverage** consisting of the essential health benefits (EHB) package, effective for plan years beginning on or after Jan. 1, 2016 – *Applies to all non-grandfathered insured health plans in the small group market. Most states have traditionally defined the small group market as including employers with 50 or fewer employees.*

Effective for plan years beginning on or after Jan. 1, 2016, the ACA was set to expand the small group market to include employers with up to 100 employees. However, on Oct. 7, 2015, President Obama signed into law the [Protecting Affordable Coverage for Employees \(PACE\) Act](#), which repealed the ACA's small group market expansion requirement. As a result, states now have the option, but are not required, to expand their small group markets to include businesses with up to 100 employees.

- No **annual or lifetime dollar limits** on EHB, effective for plan years beginning on or after Jan. 1, 2014 – *Applies to all health plans*

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- Out-of-pocket maximums** on EHB cannot exceed certain limits, effective for plan years beginning on or after Jan. 1, 2014 – *Applies to all non-grandfathered health plans*

Out-of-pocket Maximum Limits		
Plan Year	Family Coverage	Self-only Coverage
2015	\$13,200	\$6,600
2016	\$13,700	\$6,850

- Cannot impose a **waiting period** that exceeds 90 days, effective for plan years beginning on or after Jan. 1, 2014 – *Applies to all health plans*
- No **pre-existing condition exclusions** on any covered individuals, effective for plan years beginning on or after Jan. 1, 2014 – *Applies to all health plans*
- Cannot discriminate against plan participants who participate in **clinical trials**, effective for plan years beginning on or after Jan. 1, 2014 – *Applies to all non-grandfathered health plans*
- Must limit an employee's **annual pre-tax salary reduction to a health flexible spending account (FSA) to \$2,500** (\$2,550 for 2015 and 2016 plan years), effective for plan years beginning on or after Jan. 1, 2013 – *Applies to all health FSAs offered through a cafeteria plan*
- Must cover specific **preventive care services** without imposing cost-sharing requirements, effective for plan years beginning on or after Sept. 23, 2010 – *Applies to all non-grandfathered health plans*
- Health plans that provide dependent coverage of children must make coverage available for **adult children up to age 26**, regardless of the child's student or marital status, effective for plan years beginning on or after Sept. 23, 2010 – *Applies to all health plans*
- Must incorporate certain **patient protections** related to the choice of a health care professional and benefits for emergency room services, effective for plan years beginning on or after Sept. 23, 2010 – *Applies to all non-grandfathered health plans*
- Cannot **rescind coverage** for covered individuals, except in cases of fraud or intentional misrepresentation of material fact, effective for plan years beginning on or after Sept. 23, 2010 – *Applies to all health plans*

Notices and Disclosures

- Statement of Grandfathered Status:** The plan administrator or issuer must provide this statement on a periodic basis with participant materials describing plan benefits, such as the summary plan description (SPD) and open enrollment materials. This requirement only applies to grandfathered plans.
- Notice of Rescission:** The plan administrator or issuer must provide a notice of rescission to affected participants at least 30 days before the rescission occurs.

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- Notice of Patient Protections and Selection of Providers:** The plan administrator or issuer must provide a notice of patient protections/selection of providers whenever the SPD or similar description of benefits is provided to a participant. These provisions relate to the choice of a health care professional and benefits for emergency services. This requirement does not apply to grandfathered plans.
- Uniform Summary of Benefits and Coverage:** The plan administrator or issuer must provide the uniform summary of benefits and coverage (SBC) to participants and beneficiaries at certain times, including upon application for coverage and at renewal. Plan administrators and issuers must also provide a 60-day advance notice of material changes to the summary that take place mid-plan year.
- Exchange Notice:** Employers must provide all new hires with a written notice about the ACA's health insurance Exchanges.

Employer Penalty Rules

Under the ACA's employer penalty rules, applicable large employers (ALEs) that do not offer health coverage to their full-time employees (and dependent children) that is affordable and provides minimum value will be subject to penalties if any full-time employee receives a government subsidy for health coverage through an Exchange.

The ACA sections that contain the employer penalty requirements are also known as the "employer shared responsibility" provisions or "pay or play" rules.

To qualify as an ALE, an employer must employ, on average, at least 50 full-time employees, including full-time equivalent employees (FTEs), on business days during the preceding calendar year. All employers that employ at least 50 full-time employees, including FTEs, are subject to the ACA's pay or play rules, including for-profit, nonprofit and government employers.

In general, the employer penalty rules apply to:

- ALEs with **100 or more full-time employees (including FTEs)** starting in 2015; and
- ALEs with **50 to 99 full-time employees (including FTEs)** starting in 2016.

Medium-sized employers that will be subject to the ACA's employer mandate starting in 2016 should consider taking the following key steps:

- Confirm whether you will use the monthly measurement method or the look-back measurement method for identifying full-time employees (those working 30 or more hours per week) and for offering plan coverage;
- Update plan eligibility rules and communicate changes to participants with the plan's open enrollment materials; and
- Test your health plan for affordability and minimum value and make any necessary adjustments.

For more information on the ACA's employer penalty rules, please contact your representative at Ardent Solutions.

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Reporting Requirements

- **W-2 Reporting:** Employers must disclose the aggregate cost of employer-sponsored coverage provided to employees on employees' W-2 Forms. The Form W-2 reporting obligation applies to employers sponsoring group health plans—however, **employers that file fewer than 250 W-2 Forms are exempt until further guidance is provided.** Other employers were required to comply with this reporting requirement beginning with the 2012 tax year.
- **Sections 6055 and 6056 Reporting:** The ACA requires ALEs to report information to the Internal Revenue Service (IRS) and to employees regarding the employer-sponsored health coverage. The IRS will use the information that ALEs report to verify employer-sponsored coverage and to administer the employer shared responsibility provisions. This reporting requirement is found in **Code Section 6056** of the Internal Revenue Code (Code).

All ALEs with full-time employees—even medium-sized ALEs that qualify for the additional one-year delay from the employer shared responsibility rules—must report under Section 6056 for 2015.

In addition, the ACA requires every health insurance issuer, sponsor of a self-insured health plan, government agency that administers government-sponsored health insurance programs and any other entity that provides minimum essential coverage (MEC) to file an annual return with the IRS reporting information for each individual who is provided with this coverage. Related statements must also be provided to individuals. This reporting requirement is found in **Code Section 6055**.

Both of these reporting requirements took effect in 2015. **The first returns will be due in 2016 for health plan coverage provided in 2015.**

- Returns must be filed with the IRS by Feb. 28 (or March 31, if filed electronically) of the year after the calendar year to which the returns relate. The first returns are due to the IRS on or before **Feb. 29, 2016** (as Feb. 28, 2016, is a Sunday), or by **March 31, 2016**, if filed electronically.
- Written statements must be provided to employees no later than Jan. 31 of the year following the calendar year in which coverage was provided. The first statements must be furnished no later than **Feb. 1, 2016** (as Jan. 31, 2016, is a Sunday).

ALEs with self-funded plans will be required to comply with both reporting obligations, while ALEs with insured plans will only need to comply with Section 6056. To simplify the reporting process, the IRS will allow ALEs with self-insured plans to use a single combined form for reporting the information required under both Section 6055 and 6056.

ALEs that sponsor self-insured plans	ALEs that sponsor insured plans	Non-ALEs that sponsor self-insured plans	Non-ALEs that sponsor insured plans
Must report: (1) Information under Section 6055 about health coverage provided; and (2) Information under Section 6056 about offers of health coverage.	Must report information under Section 6056. These employers are not required to report under Section 6055.	Must report information under Section 6055. These employers are not required to report under Section 6056.	These employers are not required to report under either Section 6055 or Section 6056.

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CONSOLIDATED OMNIBUS BUDGET RECONCILIATION ACT (COBRA)

Summary

COBRA applies to employers that had **20 or more employees** on more than 50 percent of the typical business days during the previous calendar year. COBRA requires employers to provide eligible employees and their dependents who would otherwise lose group health coverage as a result of a qualifying event with an opportunity to continue group health coverage.

Notices/Disclosures

- Initial/General COBRA Notice:** The plan administrator must generally provide an explanation of COBRA coverage and rights within 90 days of when group health plan coverage begins.
- Notice to Plan Administrator:** The employer must notify the plan administrator of certain qualifying events, such as an employee's termination or reduction in hours, an employee's death, an employee's Medicare entitlement and the employer's bankruptcy. The notice must be provided within 30 days of the qualifying event or the date coverage would be lost as a result of the qualifying event, whichever is later.
- COBRA Election Notice:** The plan administrator must generally provide the COBRA election notice within 14 days after being notified of the qualifying event (or 44 days after the qualifying event if the employer is the plan administrator).
- Notice of Unavailability of COBRA:** If an individual is not eligible for COBRA, the plan administrator must generally provide a notice of COBRA unavailability within 14 days after being notified of the qualifying event (or 44 days after the qualifying event if the employer is the plan administrator).
- Notice of Early Termination of COBRA:** The plan administrator must provide an early termination notice as soon as practicable following the determination that COBRA coverage will terminate earlier than the end of the maximum coverage period.
- Notice of Insufficient Payment:** The plan administrator must notify a qualified beneficiary that the COBRA payment was not significantly less than the correct amount before coverage is terminated for nonpayment.
- Premium Change Notice:** The plan administrator should provide a notice of premium increase at least one month prior to the effective date.

[Model COBRA notices](#) are available from the DOL.

EMPLOYMENT RETIREMENT INCOME SECURITY ACT (ERISA)

Summary

ERISA applies to employee welfare benefit plans, including group health plans, unless specifically exempted. Church and government plans are not subject to ERISA.

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ERISA imposes a variety of compliance obligations on the sponsors and administrators of group health plans. For example, ERISA establishes strict fiduciary duty standards for individuals that operate and manage employee benefit plans and requires that plans create and follow claims and appeals procedures.

Notices/Disclosures

- SPD:** The plan administrator must automatically provide an SPD to participants within 90 days of becoming covered by the plan. An updated SPD must be provided at least every five years if changes have been made to the information contained in the SPD. Otherwise, an updated SPD must be provided at least every 10 years.
- Summary of Material Modifications (SMM):** The plan administrator must provide an SMM automatically to participants within 210 days after the end of the plan year in which the change was adopted. If benefits or services are materially reduced, participants generally must be provided with the SMM within 60 days from adoption. Also, plan administrators and issuers must provide 60 days' advance notice of any material modification to plan terms or coverage that takes effect mid-plan year and affects the content of the SBC. The 60-day notice can be provided to participants through an updated SBC or by issuing an SMM.
- Plan Documents:** The plan administrator must provide copies of plan documents no later than 30 days after a written request.
- Summary Annual Report (SAR):** Plan administrators of ERISA plans are subject to the SAR requirement, unless an exception applies. Plans that are exempt from the annual Form 5500 filing requirement are not required to provide the SAR. Large, completely unfunded health plans are also exempt from the SAR requirement. However, large insured health plans must provide the SAR.

The SAR is a narrative summary of the Form 5500 and includes a statement of the right to receive a copy of the plan's annual report. The SAR must generally be provided within nine months after the end of the plan year. If the deadline for filing the Form 5500 was extended, the SAR must be provided within two months after the end of the extension period.

Reporting Requirements

- Form 5500:** The Form 5500 requirement applies to plan administrators of ERISA plans, unless an exception applies. Small health plans (those with fewer than 100 participants) that are fully insured, unfunded or a combination of fully insured and unfunded, are exempt from the Form 5500 filing requirement.

The Form 5500 is used to ensure that employee benefit plans are operated and managed according to ERISA's requirements. The filing requirements vary according to the type of ERISA plan. Unless an extension applies, the Form 5500 must be filed by the last day of the seventh month following the end of the plan year (that is, July 31 of the following year for calendar year plans).

FAMILY AND MEDICAL LEAVE ACT (FMLA)

Summary

The FMLA applies to private sector employers with **50 or more employees in 20 or more workweeks** in the current or preceding calendar year, as well as to public agencies and public and private elementary and secondary schools.

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The FMLA provides eligible employees with job-protected leave for certain family and medical reasons. An employer must maintain group health coverage during the FMLA leave at the level and under the conditions that coverage would have been provided if the employee had not taken leave.

Notices/Disclosures

- General Notice:** Covered employers must prominently post a general FMLA notice where it can be readily seen by employees and applicants for employment. If the employer has any FMLA-eligible employees, it must also include the general notice in the employee handbook or other written employee guidance or distribute a copy of the notice to each employee upon hiring.
- Eligibility/Rights and Responsibilities Notice:** Written guidance must be provided to an employee when he or she notifies the employer of the need for FMLA leave. The employer must detail the specific expectations and obligations of the employee and explain the consequences for failing to meet these obligations.
- Designation Notice:** After the employer has sufficient information, it must provide a designation notice informing the employee whether the leave is designated as FMLA leave.

[Model forms](#) are available from the DOL.

GENETIC INFORMATION NONDISCRIMINATION ACT (GINA)

Summary

GINA prohibits health plans and health insurance issuers from discriminating based on genetic information. GINA generally prohibits group health plans and health insurance issuers from:

- Adjusting group premium or contribution amounts on the basis of genetic information;
- Requesting or requiring an individual or an individual's family members to undergo a genetic test; and
- Collecting genetic information, either for underwriting purposes or prior to or in connection with enrollment.

Notices/Disclosures

No general notice/disclosure requirements

HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT (HIPAA)

Summary

HIPAA's portability rules apply to group health plans and health insurance issuers. Certain benefits are not subject to the portability requirements, such as coverage for accidents, disability, liability, and workers' compensation and limited-scope benefits (for example, limited-scope dental and vision benefits). Most health FSAs and plans with fewer than two participants who are current employees (for example, retiree health plans) are also exempt.

HIPAA's portability rules are designed to help individuals transition from one source of health coverage to another. HIPAA's portability provisions prohibit discrimination based on health status and provide for special enrollment opportunities.

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Notices/Disclosures

- Notice of Special Enrollment Rights:** Plans and issuers must provide the special enrollment rights notice at or before the time an employee is initially offered the opportunity to enroll in the plan.
- Notice of Alternative Wellness Program Standard:** Group health plans and issuers that offer health-contingent wellness programs must disclose the availability of an alternative standard to receive a reward under the wellness program. This disclosure must be included in all materials that describe the wellness program.

HIPAA PRIVACY AND SECURITY

Summary

The HIPAA Privacy and Security Rules apply to health plans, health care clearinghouses and health care providers that transmit health information electronically (covered entities), unless an exception exists. The rules also apply to business associates (service providers to covered entities) that use protected health information (PHI). A self-funded health plan with fewer than 50 participants that is administered by the employer that established and maintains the plan is exempt.

The HIPAA Privacy Rule governs the use and disclosure of an individual's PHI. The HIPAA Security Rule creates standards with respect to the protection of electronic PHI.

Notices/Disclosures

- Notice of Privacy Practices:** Plans and issuers must provide a Notice of Privacy Practices when a participant enrolls, upon request and within 60 days of a material revision. At least once every three years, participants must be notified about the notice's availability.
- Notice of Breach of Unsecured PHI:** Covered entities and their business associates must provide notification following a breach of unsecured PHI without unreasonable delay and in no case later than 60 days following the discovery of the breach.

CHILDREN'S HEALTH INSURANCE PROGRAM REAUTHORIZATION ACT (CHIPRA)

Summary

States may offer eligible low-income children and their families a premium assistance subsidy to help pay for employer-sponsored coverage. If an employer's group health plan covers residents in a state that provides a premium subsidy, the employer must send an annual notice about the available assistance to all employees residing in the state.

Notices/Disclosures

- Annual Employer CHIP Notice:** A [model notice](#) is available from the DOL.

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MEDICARE PART D DISCLOSURES

Summary

Employer-sponsored health plans offering prescription drug coverage to individuals who are eligible for coverage under Medicare Part D must comply with requirements on disclosure of creditable coverage.

Notices/Disclosures

- Disclosure Notices for Creditable or Non-creditable Coverage:** A disclosure notice must be provided to Medicare Part D eligible individuals who are covered by, or apply for, prescription drug coverage under the employer's health plan. The purpose of the notice is to disclose the status (creditable or non-creditable) of the group health plan's prescription drug coverage. It must be provided at certain times, including before the Medicare Part D Annual Coordinated Election Period (Oct. 15 through Dec. 7 of each year).
- Disclosure to CMS:** On an annual basis (within 60 days after the beginning of the plan year) and upon any change that affects the plan's creditable coverage status, employers must disclose to the Centers for Medicare and Medicaid Services (CMS) whether the plan's coverage is creditable.

[Model forms](#) are available from CMS.

MENTAL HEALTH PARITY

Summary

The Mental Health Parity and Addiction Equity Act (MHPAEA) imposes parity requirements on group health plans that provide benefits for mental health or substance use disorder benefits. For example, plans must offer the same access to care and patient costs for mental health and substance use disorder benefits as those that apply to general medical or surgical benefits.

The MHPAEA applies to group health plans offering mental health and substance use disorder benefits. There is an exception for health plans that can demonstrate a certain cost increase and an exception for small health plans with fewer than two participants who are current employees (for example, retiree health plans). There is also an exception for employers with 50 or fewer employees during the preceding calendar year. However, in order to satisfy the essential health benefits requirement, mental health and substance use disorder benefits must be provided in a manner that complies with the MHPAEA. Thus, through this ACA mandate, small employers with insured plans are also subject to the mental health parity requirements.

Notices/Disclosures

No general requirements

MICHELLE'S LAW

Summary

Michelle's law ensures that dependent students who take a medically necessary leave of absence do not lose health insurance coverage. Michelle's Law applies to employer-sponsored group health plans that condition dependent eligibility on student status.

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Note: Michelle's Law was enacted before the ACA required group health plans to provide coverage for dependent children up to age 26, regardless of student status. Now that the ACA's coverage expansion for dependents is effective, Michelle's Law has limited applicability. In general, it will only apply if a plan offers coverage for dependents who are not covered by the ACA mandate (for example, dependents who are older than age 26) and conditions eligibility on student status.

Notices/Disclosures

- Plan administrators and issuers must include a **notice of Michelle's Law** with any notice regarding a requirement for certification of student status.

NEWBORNS' AND MOTHERS' HEALTH PROTECTION ACT (NMHPA)

Summary

The NMHPA applies to group health plans that provide maternity or newborn infant coverage. Under the NMHPA, group health plans may not restrict mothers' and newborns' benefits for hospital stays to less than 48 hours following a vaginal delivery and 96 hours following a delivery by cesarean section.

Notices/Disclosures

- The plan's SPD must include a **statement describing the NMHPA's protections** for mothers and newborns.

WOMEN'S HEALTH AND CANCER RIGHTS ACT (WHCRA)

Summary

The WHCRA applies to group health plans that provide coverage for mastectomy benefits. The WHCRA requires health plans that provide medical and surgical benefits for a mastectomy to also cover: (1) all stages of reconstruction of the breast on which a mastectomy has been performed; (2) surgery and reconstruction of the other breast to produce a symmetrical appearance; and (3) prostheses and physical complications of mastectomy, including lymphedemas.

Notices/Disclosures

- Plans must provide a **notice describing rights under WHCRA** upon enrollment and on an annual basis after enrollment.

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