

Benefits

BUZZ

Benefits tips brought to you by
Brown & Brown Benefit Advisors

Agencies Prohibit All Employer Reimbursement of Individual Premiums

Due to the rising costs of health coverage, employers have shown interest in helping employees pay for individual health insurance policies instead of offering employer-sponsored plans.

In response, on Nov. 6, 2014, the Departments of Labor (DOL), Health and Human Services (HHS) and the Treasury (Departments) issued [FAQ guidance](#) stating that these arrangements do not comply with the Affordable Care Act's (ACA) market reforms and may subject employers to penalties.

Although it was widely believed that these penalties would apply only to pre-tax arrangements, the FAQs clarify that after-tax reimbursements and cash compensation for individual premiums also do not comply with

the ACA's market reforms and may trigger the excise tax penalties.

This guidance essentially prohibits all employer arrangements that reimburse employees for individual premiums, **whether employers treat the money as pre-tax or post-tax for employees.**

The new FAQ follows up on IRS guidance previously issued in September 2013, which clarified that health reimbursement arrangements (HRAs), certain health flexible spending arrangements (FSAs) and other employer payment plans are considered group health plans subject to the ACA's market reforms and cannot be integrated with individual policies to satisfy those requirements.

The IRS further clarified the issue in May 2014 when it issued two [FAQs](#) addressing the consequences for employers who reimburse employees for individual health insurance premiums. Because these employer payment plans do not comply with the ACA's market reforms, the IRS indicated in the FAQs that these arrangements may trigger an excise tax of **\$100 per day for each applicable employee.** This same penalty would apply to employers who violate the new ruling against reimbursing employees for individual premiums.

The latest guidance also stated that products claiming to help employers obtain Marketplace subsidies for their workers through a Code Section 105 reimbursement plan are also not permitted.

DID YOU KNOW?

The IRS recently announced a new annual contribution limit for health Flexible Spending Accounts (FSAs) starting in 2015.

According to this guidance, for taxable years beginning in 2015, the dollar limitation on employee salary reduction contributions to health FSAs will be **\$2,550**, an increase of \$50 from the amount for 2014.

The FSA dollar limit first became effective in 2013, as part of the Affordable Care Act (ACA).

Prior to the end of 2014, cafeteria plan documents should be updated to reflect the ACA's new health FSA dollar limit.

HPID Requirement Delayed Indefinitely

On Oct. 31, 2014, the Centers for Medicare & Medicaid Services (CMS) announced a delay in **enforcement of the Health Plan Identifier (HPID) requirement until further notice.**

The HPID is a standard, unique health plan identifier required by the Health Insurance Portability & Accountability Act of 1996 (HIPAA).

The delay, which was announced five days before the initial deadline to obtain an HPID, means that for the foreseeable future, health plan sponsors are not required to obtain an HPID or use it in HIPAA standard transactions.

CMS has not indicated if there will be a new deadline for obtaining the HPID, or when the new deadline will be. Health plan sponsors who have already obtained HPIDs should maintain records of their identifiers.

This enforcement delay applies to all HIPAA-covered entities, including health care providers, health plans and health care clearinghouses.

Officials responsible for enacting the delay released a statement explaining their decision was based on recommendations by a separate advisory body. Those recommendations will be reviewed while the delay is in effect.