ACA OVERVIEW

Provided by The SEBO Group

2017 Compliance Checklist

The Affordable Care Act (ACA) has made a number of significant changes to group health plans since the law was enacted in 2010. Many of these key reforms became effective in 2014 and 2015, including health plan design changes, increased wellness program incentives and the employer shared responsibility penalties.

Certain changes to some ACA requirements take effect in 2017 for employers sponsoring group health plans, such as increased dollar limits. To prepare for 2017, employers should review upcoming requirements and develop a compliance strategy.

This ACA Overview provides an ACA compliance checklist for 2017. Please contact The SEBO Group for assistance or if you have questions about changes that were required in previous years.

LINKS AND RESOURCES

- HHS' Final Notice of Benefit & Payment Parameters for 2017 established the cost-sharing limits for 2017
- Revised SBC template, instructions and Uniform Glossary (for use with open enrollment periods or plan years beginning on or after April 1, 2017)
- 2016 Forms 1094-B and 1095-B (and related instructions) for reporting under Section 6055
- 2016 Forms 1094-C and 1095-C (and related instructions) for reporting under Section 6056

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HIGHLIGHTS

CHANGES FOR 2017

Certain percentages and dollar amounts have changed for 2017:

- Cost-sharing limits
- Coverage affordability percentages
- Maximum penalties for ACA employer mandate and reporting violations
- Health FSA salary contribution limits

PLAN DESIGN CHANGES

Grandfathered Plan Status

A grandfathered plan is one that was already in existence when the ACA was enacted on March 23, 2010. If you make certain changes to your plan that go beyond permitted guidelines, your plan is no longer grandfathered. **However, grandfathered status does not automatically expire as of a specific date.** A plan may maintain its grandfathered status as long as no prohibited changes are made. Once a plan relinquishes grandfathered status, it cannot be regained and the plan must comply with additional reforms under the ACA.

Contact The SEBO Group if you have questions about changes you have made, or are considering making, to your plan.

Review your plan's grandfathered status:

☐ If you have a grandfathered plan, determine whether it will maintain its grandfathered status for the 2017 plan year. Grandfathered plans are exempt from some of the ACA's mandates. A grandfathered plan's status will affect its compliance obligations from year to year.

☐ If your plan will lose its grandfathered status for 2017, confirm that the plan has all of the additional patient rights and benefits required by the ACA for non-grandfathered plans. This includes, for example, coverage of preventive care without cost-sharing requirements.

☐ If your plan will keep grandfathered status, continue to provide the Notice of Grandfathered Status in any plan materials provided to participants and beneficiaries that describe the benefits provided under the plan (such as the plan's summary plan description and open enrollment materials). Model language is available.

Cost-sharing Limits

Effective for plan years beginning on or after Jan. 1, 2014, non-grandfathered health plans are subject to limits on cost-sharing for essential health benefits (EHB). The ACA's overall annual limit on cost-sharing (also known as an out-of-pocket maximum) applies for all non-grandfathered group health plans, whether insured or self-insured. Under the ACA, a health plan's out-of-pocket maximum for EHB may not exceed **$7,150** for self-only coverage and **$14,300** for family coverage, effective for plan years beginning on or after Jan. 1, 2017.

Health plans with more than one service provider may divide the out-of-pocket maximum across multiple categories of benefits, rather than reconciling claims across multiple service providers. Thus, health plans and issuers may structure a benefit design using separate out-of-pocket maximums for EHB, provided that the combined amount does not exceed the annual out-of-pocket maximum limit for that year. For example, in 2017, a health plan's self-only coverage may have an out-of-pocket maximum of

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$6,000 for major medical coverage and $1,150 for pharmaceutical coverage, for a combined out-of-pocket maximum of $7,150.

Beginning with the 2016 plan year, **the self-only annual limit on cost-sharing applies to each individual, regardless of whether the individual is enrolled in self-only coverage or family coverage**. This embeds an individual out-of-pocket maximum in family coverage so that an individual's cost-sharing for essential health benefits cannot exceed the ACA's out-of-pocket maximum for self-only coverage.

Note that the ACA's cost-sharing limit is higher than the out-of-pocket maximum for high-deductible health plans (HDHPs). In order for a health plan to qualify as an HDHP, the plan must comply with the lower out-of-pocket maximum limit for HDHPs. HHS provided FAQ guidance on how this ACA rule affects HDHPs with family deductibles that are higher than the ACA's cost-sharing limit for self-only coverage.

According to HHS, an HDHP that has a $10,000 family deductible must apply the annual limitation on cost-sharing for self-only coverage ($7,150 in 2017) to each individual in the plan, even if this amount is below the $10,000 family deductible limit. Because the $7,150 self-only maximum limitation on cost-sharing exceeds the 2017 minimum annual deductible amount for HDHPs ($2,600), it will not cause a plan to fail to satisfy the requirements for a family HDHP.

Check your plan's cost-sharing limits:

☐ Review your plan's out-of-pocket maximum to make sure it complies with the ACA's limits for the 2017 plan year ($7,150 for self-only coverage and $14,300 for family coverage).

☐ If you have a health savings account (HSA)-compatible high-deductible health plan (HDHP), keep in mind that your plan's out-of-pocket maximum must be lower than the ACA's limit. For 2017, the out-of-pocket maximum limit for HDHPs is **$6,550** for self-only coverage and **$13,100** for family coverage.

☐ If your plan uses multiple service providers to administer benefits, confirm that the plan will coordinate all claims for EHB across the plan's service providers, or will divide the out-of-pocket maximum across the categories of benefits, with a combined limit that does not exceed the maximum for 2017.

☐ Confirm that the plan applies the self-only maximum to each individual in the plan, regardless of whether the individual is enrolled in self-only coverage or family coverage.

Health FSA Contributions

Effective for plan years beginning on or after Jan. 1, 2013, an employee's annual pre-tax salary reduction contributions to a health flexible spending account (FSA) must be limited to $2,500 (as adjusted for inflation). The $2,500 limit was increased to $2,550 for taxable years beginning in 2015 and 2016. On Oct. 25, 2016, the IRS released Revenue Procedure 2016-55, which **increased the FSA dollar limit on employee salary reduction contributions to $2,600 for taxable years beginning in 2017**.

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The FSA limit does not apply to employer contributions to the health FSA, and does not impact contributions under other employer-provided coverage. For example, employee salary reduction contributions to an FSA for dependent care assistance or adoption care assistance are not affected by the health FSA limit.

Update your health FSA's contribution limit:

☐ Confirm that your health FSA will not allow employees to make pre-tax contributions in excess of $2,600 for the 2017 plan year.

☐ Communicate the health FSA limit to employees as part of the open enrollment process.

SUMMARY OF BENEFITS AND COVERAGE (SBC)

Health plans and health insurance issuers must provide an **SBC** to applicants and enrollees to help them understand their coverage and make coverage decisions. Plans and issuers must provide the SBC to participants and beneficiaries who enroll or re-enroll during an open enrollment period, as well as to participants and beneficiaries who enroll other than through an open enrollment period (including individuals who are newly eligible for coverage and special enrollees).

The SBC must follow strict formatting requirements. The Departments provided templates and related materials, including instructions and a uniform glossary of coverage terms, for use by plans and issuers. On April 6, 2016, the Departments issued a new template and related materials for the SBC.

- Plans with annual open enrollment periods must start using the new template on the first day of the first open enrollment period that begins on or after **April 1, 2017**, with respect to coverage for plan or policy years beginning on or after that date.
- Plans without an annual open enrollment period must start using the new template on the first day of the first plan or policy year that begins on or after **April 1, 2017.**

Begin using the new SBC template:

☐ Prepare to use the new SBC template for health plans with open enrollment periods or plan years beginning on or after April 1, 2017.

☐ For self-funded plans, the plan administrator is responsible for creating and providing the SBC. For insured plans, the issuer is required to provide the SBC to the plan sponsor. Both the plan and the issuer are obligated to provide the SBC, although this obligation is satisfied for both parties if either one provides the SBC. If you have an insured plan, confirm whether your health insurance issuer will assume responsibility for providing the SBCs.

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REINSURANCE FEES

Health insurance issuers and self-funded group health plans must pay fees to a transitional reinsurance program for the first three years of the Exchanges' operation (2014—2016) to help stabilize premiums for coverage in the individual market. Fully insured plan sponsors do not have to pay the fee directly. **Reinsurance fees do not apply for 2017 and beyond, although the 2016 fees will be paid in 2017**.

Reinsurance contributions are only required for plans that provide **major medical coverage**. This does not include health FSA coverage and coverage that consists solely of excepted benefits under HIPAA (such as standalone dental and vision plans).

The following plans and coverage are also excluded:

- HRAs that are integrated with major medical coverage;
- HSAs (although reinsurance fees are required for an employer-sponsored HDHP);
- Employee assistance plans, wellness programs and disease management plans that provide ancillary benefits and not major medical coverage;
- Expatriate health coverage;
- Coverage that consists solely of benefits for prescription drugs; and
- Stop-loss and indemnity reinsurance policies.

Also, for 2015 and 2016, self-insured health plans are exempt from the reinsurance fees if they do not use a third-party administrator in connection with the core administrative functions of claims processing or adjudication (including the management of appeals) or plan enrollment.

The reinsurance program's fees are based on an annual national contribution rate, and are calculated by multiplying the number of covered lives (employees and their dependents) for all of the entity's plans and coverage that must pay contributions by the national contribution rate for the year. For 2016, HHS announced a national contribution rate of **$27 per enrollee per year** (about $2.25 per month). Reinsurance fees may be paid in either **one lump sum** or in **two installments**. For the 2016 benefit year, reinsurance fees are due as follows:

PAID IN TWO INSTALLMENTS:

- **Due Nov. 15, 2016**: Submit the 2016 contribution form and **schedule payment** of the first collection, then duplicate the form ***and* schedule payment** of the second collection
- **Due Jan. 15, 2017**: Remit the first contribution amount of $21.60 per covered life
- **Due Nov. 15, 2017**: Remit the second contribution amount of $5.40 per covered life

PAID IN ONE LUMP SUM:

- **Due Nov. 15, 2016**: Submit the 2016 contribution form and **schedule payment**
- **Due Jan. 15, 2017**: Pay the full contribution amount of $27 per covered life

Pay reinsurance fees:

☐ Submit the 2016 contribution form and make appropriate payments for the 2016 benefit year.

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HIPAA CERTIFICATION

Health plans must file a statement with HHS certifying their compliance with HIPAA's electronic transaction standards and operating rules. The ACA specified an initial certification deadline of Dec. 31, 2013, for the following transactions:

- Eligibility for a health plan;
- Health care claim status; and
- Health care electronic funds transfers (EFT) and remittance advice.

HHS extended the first certification deadline to **Dec. 31, 2015**, although small health plans may have additional time to comply. However, this deadline was not enforced due to a lack of final guidance on the certification requirement. Until a new deadline is announced, health plan sponsors and their business associates should become familiar with the proposed guidance and wait for final guidance from HHS regarding the HIPAA certification requirements.

Controlling health plans (CHPs) are responsible for providing the initial HIPAA certification on behalf of themselves and their subhealth plans, if any. Based on HHS' definition of CHPs, an employer's self-insured plan will likely qualify as a CHP, even if it does not directly conduct HIPAA-covered transactions. For employers with insured health plans, the health insurance issuer will likely be the CHP responsible for providing the certification. However, more definitive guidance from HHS on this point would be helpful.

Analyze your obligations for the HIPAA certification:

☐ Confirm whether your health plan is a CHP required to provide the initial HIPAA certification.

☐ If you have an insured plan, confirm that the issuer will be providing the HIPAA certification on your plan's behalf.

☐ Work with your advisors to monitor additional guidance from HHS on this requirement.

EMPLOYER SHARED RESPONSIBILITY RULES

Under the ACA's employer shared responsibility rules, applicable large employers (ALEs) that do not offer affordable, minimum value health coverage to their full-time employees (and dependent children) will be subject to penalties if any full-time employee receives a subsidy for health coverage through an Exchange. These employer shared responsibility requirements are also known as the "employer mandate" or "pay or play" rules. On Feb. 10, 2014, the IRS released final regulations implementing the ACA's employer shared responsibility rules.

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These employer penalty provisions and the related reporting requirements took effect for most ALEs on **Jan. 1, 2015**. However, eligible ALEs with fewer than 100 full-time employees (including FTEs) had an additional year, until 2016, to comply with these rules. Also, certain ALEs that have non-calendar year plans were able to delay compliance with these rules until the beginning of their 2015 plan year.

This checklist will help you evaluate your possible liability for an employer shared responsibility penalty for 2017. *Please keep in mind that this summary is a high-level overview of the employer shared responsibility rules. It does not provide an in-depth analysis of how the rules will affect your organization. Please contact The SEBO Group for more information on these rules and how they may apply to you.*

Applicable Large Employer Status

The ACA's employer shared responsibility rules apply only to applicable large employers (ALEs). ALEs are employers with **50 or more** full-time employees (including full-time equivalent employees, or FTEs) on business days during the preceding calendar year. Employers determine each year, based on their current number of employees, whether they will be considered an ALE for the following year.

Determine your ALE status for 2017:

☐ Calculate the number of full-time employees for each calendar month in 2016. A full-time employee is an employee who is employed, on average, at least 30 hours of service per week or 130 hours for the calendar month.

☐ Calculate the number of FTEs for each calendar month in 2016 by calculating the aggregate number of hours of service (but not more than 120 hours for any employee) for all employees who were not full-time employees for that month and dividing the total hours of service by 120.

☐ Add the number of full-time employees and FTEs (including fractions) calculated above for each month in 2016. Add up these monthly numbers and divide the sum by 12. Disregard fractions.

☐ If your result is 50 or more, you are likely an ALE for 2017.

☐ Keep in mind that there is a special exception for employers with seasonal workers. If your workforce exceeds 50 full-time employees (including FTEs) for 120 days or fewer during the 2016 calendar year, and the employees in excess of 50 who were employed during that time were seasonal workers, you will not be an ALE for 2017.

Offering Coverage to Full-time Employees

To correctly offer coverage to full-time employees, ALEs must determine which employees are full-time employees under the employer shared responsibility rule definition. A full-time employee is an employee who was employed, on average, at least **30 hours of service per week** (or **130 hours of service in a calendar month**).

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The IRS has provided two methods for determining full-time employee status for purposes of offering coverage—**the monthly measurement method** and **the look-back measurement method**.

MONTHLY MEASUREMENT METHOD	Involves a month-to-month analysis where full-time employees are identified based on their hours of service for each month. This method is not based on averaging hours of service over a prior measurement method. Month-to-month measuring may cause practical difficulties for employers that have employees with varying hours or employment schedules, and could result in employees moving in and out of employer coverage on a monthly basis.
LOOK-BACK MEASUREMENT METHOD	An optional safe harbor method for determining full-time status that can provide greater predictability for determining full-time status. The details of this method are based on whether the employees are ongoing or new, and whether new employees are expected to work full-time or are variable, seasonal or part-time. This method involves a **measurement period** for counting hours of service, an **administrative period** that allows time for enrollment and disenrollment, and a **stability period** when coverage may need to be provided, depending on an employee's average hours of service during the measurement period. **If an employer meets the requirements of the safe harbor, it will not be liable for penalties for employees who work full-time during the stability period, if they did not work full-time hours during the measurement period.**

Determine your full-time employees:

☐ Use the monthly measurement method or the look-back measurement method to confirm that health coverage will be offered to all full-time employees (and dependent children). If you have employees with varying hours, the look-back measurement method may be the best fit for you.

☐ To use the look-back measurement method, you will need to select your measurement, administrative and stability periods. Please contact The SEBO Group for more information.

Applicable Penalties

An ALE is only liable for a penalty under the employer shared responsibility rules if at least one full-time employee receives a subsidy for coverage purchased through an Exchange. Employees who are offered health coverage that is affordable and provides minimum value are generally not eligible for these Exchange subsidies. Depending on the circumstances, one of two penalties may apply under the employer shared responsibility rules—the **4980H(a) penalty** or the **4980H(b) penalty**.

The 4980H(a) Penalty—Penalty for ALEs Not Offering Coverage

Under Section 4980H(a), an ALE will be subject to a penalty if it does not offer coverage to "substantially all" full-time employees (and dependents) and any one of its full-time employees receives a premium tax credit or cost-sharing reduction toward his or her Exchange plan. The 4980H(a) penalty will not apply

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to an ALE that intends to offer coverage to all of its full-time employees, but that fails to offer coverage to a few of these employees, regardless of whether the failure to offer coverage was inadvertent.

An ALE will satisfy the requirement to offer minimum essential coverage to "substantially all" of its full-time employees and their dependents if it offers coverage to **at least 95 percent**—or fails to offer coverage to no more than 5 percent (or, if greater, five)—of its full-time employees (and dependents) in 2016 and beyond. According to the IRS, the alternative margin of five full-time employees is designed to accommodate relatively small employers, because a failure to offer coverage to a handful of full-time employees might exceed 5 percent of the employer's full-time employees.

Under the ACA, the monthly penalty assessed on ALEs that do not offer coverage to substantially all full-time employees and their dependents is equal to **the ALE's number of full-time employees (minus 30) X 1/12 of $2,000 (as adjusted), for any applicable month**. After 2014, the $2,000 amount is indexed for the calendar year, as follows: for 2015, the adjusted dollar amount is **$2,080**; for 2016, the adjusted dollar amount is **$2,160**; for 2017, the adjusted dollar amount is **$2,260**.

The 4980H(b) Penalty—Penalty for ALEs Offering Coverage

Employers that do offer coverage to substantially all full-time employees (and dependents) may still be subject to penalties if at least one full-time employee obtains a subsidy through an Exchange because:

- The employer did not offer coverage to all full-time employees; or
- The employer's coverage is unaffordable or does not provide minimum value.

The monthly penalty assessed on an ALE for each full-time employee who receives a premium credit is **1/12 of $3,000 (as adjusted) for any applicable month**. However, the total penalty for an employer is limited to the 4980(a) penalty amount. After 2014, the $3,000 dollar amount is indexed as follows: for 2015, the adjusted dollar amount is **$3,120**; for 2016, the adjusted dollar amount is **$3,240**; for 2017, the adjusted dollar amount is **$3,390**.

Affordability of Coverage

Under the ACA, an employer's health coverage is considered affordable if the employee's required contribution to the plan does not exceed **9.5 percent** of the employee's household income for the taxable year (as adjusted each year). The adjusted percentage is **9.69 percent** for 2017.

"Household income" means the modified adjusted gross income of the employee and any members of the employee's family. Because an employer generally will not know an employee's household income, the IRS provided three affordability safe harbors that employers may use to determine affordability based on information that is available to them. These safe harbors allow an employer to 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. ALEs using an affordability safe harbor may rely on the adjusted affordability contribution percentages.

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Minimum Value

Under the ACA, a plan provides minimum value (MV) if the plan's share of total allowed costs of benefits provided under the plan is **at least 60 percent** of those costs. Three approaches may be used for determining MV: a **Minimum Value (MV) Calculator**, **design-based safe harbor checklists** or **actuarial certification**. In addition, any plan in the small group market that meets any of the "metal levels" of coverage (that is, bronze, silver, gold or platinum) provides MV.

On Nov. 4, 2014, the IRS issued Notice 2014-69 to clarify that plans that do not provide inpatient hospitalization or physician services (referred to as Non-Hospital/Non-Physician Services Plans) **do not provide MV**. On Dec. 18, 2015, HHS and the IRS issued final regulations that prohibit an employer from using the MV Calculator (or any actuarial certification or valuation) to demonstrate that a Non-Hospital/Non-Physician Services Plan provides MV. As a result, **a Non-Hospital/Non-Physician Services Plan should not be adopted for the 2015 plan year or beyond**.

Calculate potential penalties for 2016 and/or 2017:

- ☐ Review the cost of your health plan coverage to determine whether it's affordable for your employees by using one or more of the affordability safe harbors.
- ☐ Determine whether the plan provides MV by using one of the four available methods.
- ☐ Calculate any penalties that may apply under these rules using the formulas above.

REPORTING OF COVERAGE

The ACA requires ALEs to report information to the 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 administer the employer shared responsibility provisions. This reporting requirement is found in **Code Section 6056**.

The ACA also 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 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. **Returns were due in early 2017 for health plan coverage offered or provided in 2016.** Returns generally 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. Written statements generally must be provided to employees no later than **Jan. 31** of the year following the calendar year in which coverage was provided. For the 2016 calendar year, IRS Notice 2016-70 extended the deadline for furnishing statements to individuals for 30 days, from Jan. 31, 2017, to March 2, 2017.

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ALEs with self-funded plans are 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 allows 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 MEC 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.

Forms Used for Reporting

Under both Sections 6055 and 6056, each reporting entity must file all of the following with the IRS:

- A separate **statement** for each individual; and
- A single **transmittal form** for all of the returns filed for a given calendar year.

Under Section 6055, reporting entities will generally file Forms 1094-B (a transmittal) and 1095-B (an information return). Under Section 6056, entities will file Forms 1094-C (a transmittal) and 1095-C (an information return) for each full-time employee for any month. Entities that are reporting under both Sections 6055 and 6056 will file using a combined reporting method, on **Form 1094-C** and **Form 1095-C**.

REQUIREMENT	FILE WITH THE IRS:	FURNISH TO EACH INDIVIDUAL:
Section 6055	• One Form 1094-B; and • A separate Form 1095-B for each responsible individual	A copy of his or her Form 1095-B
Section 6056	• One Form 1094-C; and • A separate Form 1095-C for each full-time employee	A copy of his or her Form 1095-C
Both Section 6055 & 6056	• One Form 1094-C; and • A separate Form 1095-C for each full-time employee and each responsible individual	A copy of his or her Form 1095-C

Electronic Reporting

Any reporting entity that is required to file at least 250 returns under Section 6055 or Section 6056 must file electronically. The 250-or-more requirement applies separately to each type of return and separately to each type of corrected return. Entities filing fewer than 250 returns during the calendar

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year may choose to file in paper form, but are permitted (and encouraged) to file electronically. Electronic filing will be done using the ACA Information Returns (AIR) Program. More information on the AIR Program is available on the IRS website.

Individual statements may also be furnished electronically if certain notice, consent and hardware and software requirements are met (similar to the process currently in place for the electronic furnishing of employee Forms W-2).

Penalties

A reporting entity that fails to comply with the Section 6055 or Section 6056 reporting requirements may be subject to the general reporting penalties for failure to file correct information returns (under Code Section 6721) and failure to furnish correct payee statements (under Code Section 6722).

Penalties may be waived if the failure is due to reasonable cause and not to willful neglect, or may be reduced if the failure is corrected within a certain period of time. Also, lower annual maximums apply for reporting entities that have average annual gross receipts of up to $5 million for the three most recent taxable years. The penalty amounts for failures related to returns and statements required to be filed or furnished in 2017 are as follows:

PENALTY TYPE	PER VIOLATION	ANNUAL MAXIMUM	ANNUAL MAXIMUM FOR EMPLOYERS WITH ≤$5 MILLION IN GROSS RECEIPTS
General	$260	$3,193,000	$1,064,000
Corrected within 30 days	$50	$532,000	$186,000
Corrected after 30 days, but before Aug. 1	$100	$1,596,500	$532,000
Intentional disregard	$530*	None	N/A

**For failures due to intentional disregard, the penalty is equal to the greater of either the listed penalty amount or 10 percent of the aggregate amount of the items required to be reported correctly.*

Prepare for Health Plan Reporting:

☐ Determine which reporting requirements apply to you and your health plans.

☐ Determine the information you will need for reporting and coordinate internal and external resources to help compile the required data.

☐ Complete the appropriate forms. Furnish statements to individuals on or before March 2, 2017, and file returns with the IRS on or before Feb. 28, 2017 (March 31, 2017, if filing electronically).

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EMPLOYEE NOTICE OF EXCHANGE

Employers are required to provide all new hires with a written notice about the ACA's health insurance Exchanges. This notice must be provided **at the time of hiring**. In general, the notice must:

- Inform employees about the existence of the Exchange and describe the services provided by the Exchange;
- Explain how employees may be eligible for a premium tax credit or a cost-sharing reduction if the employer's plan does not meet certain requirements; and
- Inform employees that if they purchase coverage through the Exchange, they may lose any employer contribution toward the cost of employer-provided coverage, and that all or a portion of the employer contribution to employer-provided coverage may be excludable for federal income tax purposes.

The DOL provided **model Exchange notices** for employers to use, which will require some customization. The notice may be provided by first-class mail, or may be provided electronically if the requirements of the DOL's electronic disclosure safe harbor are met.

Ensure that the Exchange Notice is provided to all new hires at the time of hiring:

☐ Customize the appropriate model Exchange notice.

☐ Confirm that the notice has been provided to all current employees.

☐ Prepare to provide the customized notice to all new employees when hired.

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