

Administration Postpones Health Care Reporting and Penalties Until 2015

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On Tuesday, July 2, the Treasury Department announced that the Obama Administration will delay the Affordable Care Act's mandatory employer and insurer reporting requirements for another year. These requirements will not take effect until 2015 while the Treasury Department works out new rules to help businesses navigate the complexities of the health care mandate.

The Treasury Department similarly delayed until 2015 the assessment of penalties, also known as shared responsibility payments, for large employers that do not meet minimum standards of health care coverage under the Affordable Care Act. Large employers are defined in the act as having an average of at least 50 full-time employees on business days during the preceding calendar year.

The postponement does not affect the individual mandate regarding coverage or the on-going development of health care "exchanges"—the government-sponsored health care marketplace where individuals and businesses will be able to shop for health care plans offered by private providers.

The reprieve comes three months before open enrollment in the health care marketplace is scheduled to begin. Open enrollment is due to start on October 1, 2013. Coverage is supposed to start on January 1, 2014. The Department of Health and Human Services has developed the website HealthCare.gov to assist individuals and businesses in choosing affordable health care plans. With the new postponement, employers will have an opportunity to fully assess their existing health care plans and determine whether to continue with the plan in place, expand coverage or offer alternative coverage through the health care marketplace. There also is the cost-analysis of making shared responsibility payments in lieu of coverage or in the event existing coverage does not meet the minimum standards.

The additional year will enable both the government and employers to develop a practical system for reporting employee coverage. With the myriad federal agencies involved in implementing the health care mandate, the rules need to be simple, consistent and easy to understand. The Treasury Department recognized this need in delaying the reporting requirements until the system can be tested in a real world environment and any glitches are fixed before going live.

While the postponement helps iron out key provisions, employers and insurers should not ignore the mandate altogether. The remaining aspects of the mandate remain in effect and employers in particular should use the additional time to conduct an internal audit before reporting and penalty payments are required in 2015.

Administration Postpones Health Care Reporting and Penalties Until 2015 (Cont.)

The Treasury Department said it will issue formal guidance describing the transition within the next week. We will provide a detailed interpretation of the guidance as soon as it is published.

The full text of the Treasury Department's announcement can be found on its website.