Simplifying health care reform benefits terminology

Insurance can be an overwhelming topic. Because your company’s benefits package is critical to your employees’ happiness and well-being, this glossary breaks down the key terms you need to know. Read on for an explanation of language that is specific to mandates and terms of the Affordable Care Act (ACA).

Cadillac Tax

Beginning in 2020, an excise tax of 40% will be imposed on health plans whose value is more than $10,200 for individual coverage and $27,500 for a family. This tax only applies to the amount that exceeds the threshold.

Essential health benefits (EHBs)

EHBs are composed of 10 benefits categories that must be included in a qualified health plan, as defined by the ACA. Essential health benefits must include items and services within the following: ambulatory patient services; emergency services; hospitalization; maternity and newborn care; mental health and substance use disorder services, including behavioral health treatment; prescription drugs; rehabilitative and habilitative services and devices; laboratory services; preventive and wellness services and chronic disease management; and pediatric services, including oral and vision care.

Full-time equivalent (FTE) employee

For some portions of the ACA, FTEs must be counted. In these cases, employers calculate the number of FTE employees they have in addition to all full-time employees (any employee with an average of at least 30 hours of service per week).

This calculation is determined by dividing the total number of hours of service for the month of the employees who are not full time by 120. This is the calculation associated with the term “applicable large employer,” and such employers are subject to the employer shared responsibility mandate.
Individual mandate/Individual shared responsibility

Most individuals must obtain minimum essential coverage or pay a penalty. Exemptions include, but are not limited to, religious objections, individuals with incomes less than 100 percent of the federal poverty level (FPL), Indian tribe members and hardship waivers.

Individual premium tax credit or subsidies

A fixed amount of money or percentage of the premium cost that is provided to help people purchase health insurance. Under the ACA, individuals with incomes between 133 percent and 400 percent of the FPL who purchase a health plan through the exchanges are eligible for these subsidies.

IRS reporting

Employers who self-fund employee health care are required to submit informational reporting about minimum essential coverage to the IRS. Employers who do not comply may face penalties for not filing informational reporting.

Pay or play/Employer mandate/Employer shared responsibility

Employers meeting size or revenue thresholds are required to offer minimum essential health benefit packages or pay a set portion of the cost of those benefits for use in the exchanges.

Small business health care tax credit

Certain small businesses that offer health plans are eligible for a tax credit, which varies with the size, contribution and tax status of the small business.

Small Business Health Options Program (SHOP)

Open to small businesses with less than 100 employees, the SHOP marketplace allows employers to control the amount of coverage offered and the amount they contribute to employee premiums. There are also small business health care tax credits available that pay up to 50 percent of premium costs, with the remaining 50 percent still eligible for tax deductions.
Wellness programs

The ACA creates new incentives to encourage employer wellness programs, including programs such as those that reward employees who decrease their use of tobacco or achieve a lower cholesterol level.

DISCLAIMER

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