

AFFORDABLE CARE ACT (ACA) SERVICES APPLICATION

WE MAKE
THE COMPLEX
SIMPLE

EMPLOYER INFORMATION

Company Name: _____ Phone: _____
(Full and complete legal business name)

Street: _____ Fax: _____

City: _____ State: _____ Zip: _____

Employer's Taxpayer Identification Number: _____

CONTACT INFORMATION

Primary Contact: (For contact regarding contracts, legal documents, daily administration, invoicing and plan renewal)

Contact Name: _____ Title: _____

Contact Phone: _____ Contact Email: _____

Additional day-to-day contact if applicable:

Name: _____ Title: _____

Phone: _____ Email: _____

Lead Broker/Consultant Contact:

Broker/Consultant Name: _____ General Agent: _____

Broker/Consultant Contact Phone: _____

Broker/Consultant Contact Email: _____

ACA REPORTS

The reports included as part of our ACA Compliance service are a simulation of the 2016 pay-or-play strategy to understand the financial impact of various options, as well as estimate the Cadillac (Excise) Tax exposure effective in 2018. For a full description of the assessments provided, please see pages 3 and 4 of this document.

INVOICING & ACH SET-UP

Payment of the initial fee must be received by Sterling to finalize processing. To pay your initial fee invoice for this service, Sterling will initiate debit entries from the account you list below. By providing the information below, you are authorizing Sterling and/or Fidelity National Information Services (debit card processor) to initiate entries to your checking/savings accounts at the financial institution listed below and, if necessary, initiate adjustments for any transactions credited/debited in error. All entries are related to this service your company has established with Sterling. This authority will remain in effect until Sterling is notified by you in writing to cancel it in such time as to afford Sterling and the financial institution named below a reasonable opportunity to act on it. You must attach a copy of a voided check to this application as part of this process:

Financial Institution Name _____

Financial Institution Routing Number _____

Account Number for Debits to Pay for this Service _____

APPLICATION AGREEMENT / SIGNATURE

We, the undersigned employer, affirm the accuracy of the information we have provided on this application and further affirm that such information may be relied upon for the preparation of this service by Sterling and may be used for other related purposes. We also agree to indemnify and hold harmless Sterling and its officers, directors, employees and agents (each of the foregoing hereinafter referred to as an "indemnified party") from and against any and all actions, liabilities, claim, suits, damages, liens, judgments, losses, fines, penalties, costs, and expenses (including attorneys' fees) arising out of or from the indemnified party's services in connection with the preparation of this service.

Dated this _____ day of _____ 20 _____

Employer: _____

By: _____ Title: _____

REPORT DESCRIPTIONS

Pay-Or-Play Advisor for Corporations (large and small Corporations)

Beginning in 2015, large employers, defined as those who employ more than 100 full-time employees (including equivalents), may be subject to a penalty tax for failing to offer minimum essential health care coverage for all full-time employees (and their dependents) or offering eligible employer-sponsored coverage that is not "affordable" (exceeds a specified percentage of the employee's household income) or does not offer "minimum value" (the plan's share of the total allowed cost of benefits is not at least 60%). These penalties are referred to as the subsection (a) and the subsection (b) penalty, respectively.

The first question an employer needs to resolve is whether or not he has enough employees to be subject to the pay-or-play requirement also known as the employer "shared responsibility". The simple definition -- All employers with 99 or more full-time equivalent workers will be qualified as ALE (Applicable Large Employer).

Full-time equivalent (FTE)

This covers employees who average 30 (not 40) hours per week. The time period during which the employee count is determined is the prior year -- in other words, 2014, for purposes of whether you'll face the mandate in 2015. However the IRS recognizes that determining FTE status can become complicated based on timing issues and seasonal work patterns and hence has issued some "safe harbor" rules to help with the determination (IRS Notice 2012-58 - <http://www.irs.gov/pub/irs-drop/n-12-58.pdf>)

To be fair to all employers in determining FTE status and count, an employer needs to add up all of the hours worked by part-time employees over the course of a month, and then divide that number by 120. The number resulting from that calculation is added to the FTE total to determine where an employer is in relation to the 99+ FTE minimum. One thing to note, even if the calculation determines that you are subject to the pay-or-play requirement, an employer might not be obligated to provide health benefits to part-time employees. Some employers could, in theory, lay off a requisite number of employees to fall below the 99 FTE threshold for 2015, and consider them as independent contractors. But simply calling an employee an independent contractor doesn't necessarily make him so. Independent contractor status is somewhat subjective and determined by a multi-pronged test.

Penalty

Assuming an employer is subject to the "shared responsibility" provisions, and already providing some level of health benefits, the employer will need to determine whether the currently offered benefit package covers at least 95% of his employees and meets "minimum essential coverage" standards as defined in the ACA rules. If the answer is no, and the employer doesn't appropriately amend or adjust the benefit package offered, the "pay" requirement becomes effective. The "pay" requirement also becomes effective if the employer didn't offer any health plan coverage.

In simple terms, the penalty is the annualized equivalent of \$2,000 a year for each full-time employee, minus up to 30 employees, if at least one full-time employee signs up for health benefits through a health exchange and receives a premium tax credit or cost-sharing reduction from the government.

The "Value" and "Affordability" Test

Even if an employer is providing minimum essential coverage to enough employees, another requirement is whether the employee receives minimum value for that coverage. That essentially requires the employer to pay at least 60% of the cost of the benefit.

A parallel test is whether the employee cost is deemed "affordable" to the employee (for self-coverage only). A "safe harbor" standard is whether or not this cost exceeds 9.5% of the employee's household income.

If either the "value" test or the "affordability test" is not met, something called a "Subsection (b) penalty" takes effect. It is calculated as \$250 per month for each FTE employee who enrolls in a health exchange and is eligible, based on income, to receive federal tax credits.

Eligibility for tax credit and subsidies ends at 400% of the U.S. official federal poverty level (FPL). Eligibility starts once an individual, who does not have access to a qualified affordable plan through employment, is deemed to be able to afford insurance with an exchange credit (approximately 133% of the poverty level). If an employer determines that, based on current health benefits package, he won't meet the employer responsibility standards of the Affordable Care Act in 2015, the financial dimension of the decision he will face is whether it's less expensive to drop benefits and pay the penalty, or improve benefits to meet the requirements. One thing to note is that even with meeting requirements the health benefits package might be "unaffordable" to some FTE employees thereby resulting in a situation of pay(penalty) and play(meet minimum requirements).

Tax considerations can also play a role. If an employer drops health benefits, or reduces contributions to meet the minimum requirements, and simply pays employees more salary so they can go out and secure their own health benefits via a health care exchange, that added compensation is taxable to the employees, unlike the value of an employer provided health benefit plan. The penalties an employer pays, unlike the cost of providing health benefits, will not be exempt from tax.

Pay-Or-Play Advisor addresses all of the above rules and regulations to provide a realistic estimation of what the financial cost implications for an employer would be in 2015 while playing it out in 4 different scenarios, allowing the benefit administrator and employer to compare and contrast various options before making a decision. All data sets, results and reports from each simulation are archived allowing the benefit administrator and/or employer to access it at any point.

Cadillac (Excise) Tax exposure (effective 2018)

One of the most significant revenue provisions of health care reform is a 40% nondeductible excise tax on high-cost health coverage, often referred to as the "Cadillac tax." This provision, which was added as new Code § 4980I, which taxes the amount, if any, by which the monthly cost of an employee's applicable employer-sponsored health coverage exceeds a threshold amount specified by the statute. The tax attributable to the sum of the excess amounts for a taxable period is determined by the employer, and allocated among the coverage providers who provided the employee's health coverage. If the coverage is insured, the coverage provider responsible for paying the tax is the insurer. For other coverage (self-funded), the coverage provider may be the employer or the plan administrator.