

Health Care Reform: 2014 Do's and Delays



While shifting deadlines are providing employers additional time to comply with certain key requirements under Health Care Reform, a number of significant changes remain scheduled to take effect this year. Here's a look at some of the most important do's and delays that may affect employers and group health plans in 2014:

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DO: Limit Waiting Periods to 90 Days

In plan years beginning on or after January 1, 2014, a group health plan may [not apply any waiting period that exceeds 90 days](#). A waiting period is the time that must pass before coverage for an individual who is otherwise eligible to enroll under the terms of the plan can become effective.

DELAY: Nondiscrimination Rules for Insured Group Health Plans

Insured group health plans are [not required to comply](#) with certain rules prohibiting discrimination in favor of highly compensated individuals, currently applicable to self-insured plans, until after regulations or other administrative guidance is issued. (Health benefits offered as part of a [cafeteria plan](#) remain subject to the nondiscrimination requirements of [Section 125](#).)

DO: Confirm Coverage of Essential Health Benefits and Limit Cost-Sharing

Non-grandfathered plans offered in the small group market must cover a core package of items and services known as [essential health benefits](#) for plan years beginning on or after January 1, 2014. In addition, non-grandfathered group plans must ensure that cost-sharing under the plan for such coverage provided in-network does not exceed [certain limitations](#), including limits on both out-of-pocket maximums and deductibles.

Note: Certain small businesses were permitted to renew existing group coverage for 2014 that does not comply with the requirements to cover essential health benefits and limit annual cost-sharing under the plan.

DELAY: "Pay or Play" (Employer Shared Responsibility)

Enforcement of the "pay or play" requirements--which apply generally to employers with at least 50 full-time employees, including full-time equivalents--is [delayed for one year](#), so penalties will not apply until 2015. (However, employers using the optional [look-back method](#) to determine full-time employee status will need to begin their measurement periods in 2014.)

Employers subject to the "pay or play" requirements also will [not be required](#) to report certain information regarding health coverage offered to employees until 2015. Such reporting is necessary for the IRS to determine whether a "pay or play" penalty may be due. Employers are encouraged to voluntarily comply with the information reporting requirements during 2014.

DO: Eliminate Annual Limits and Preexisting Condition Exclusions

Annual dollar limits on coverage of [essential health benefits](#) are prohibited for group health plans issued or renewed beginning January 1, 2014. In addition, group health plans may not exclude individuals from coverage (regardless of age) or limit or deny benefits on the basis of preexisting medical conditions.

DELAY: Online Enrollment in Federal SHOP Exchange

Online enrollment for small employers who wish to purchase employee health coverage through the federally-facilitated Small Business Health Options Program (SHOP) is [delayed until November 2014](#). Until online functionality is available, small business owners may work with an agent or broker to select a SHOP qualified plan and enroll employees. (Employers located in a [state operating its own SHOP](#) must follow that state's application and enrollment process.)

DO: Ensure Wellness Programs Comply with Revised Rules

For plan years beginning on or after January 1, 2014, [wellness programs](#) that require an individual to satisfy a standard related to a health factor in order to obtain a reward must comply with revised nondiscrimination rules. The maximum permissible reward that may be offered under such programs is increased from 20% to 30% of the cost of coverage, and to 50% for programs designed to prevent or reduce tobacco use.

As a reminder, in 2014, employers must continue to provide newly hired employees with a written notice about the Health Insurance Exchange (Marketplace) within 14 days of the employee's start date. In addition, both grandfathered and non-grandfathered group health plans that cover dependents must make coverage available [until a child reaches age 26](#), regardless of other coverage options.

Be sure to visit our [Health Care Reform](#) section to stay on top of the latest changes.

New Standard Mileage Rates Announced

The IRS has issued the [2014 optional standard mileage rates](#) used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

2014 Standard Mileage Rates

Beginning on January 1, 2014, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- **56 cents per mile for business miles driven**
- 23.5 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations



The business, medical, and moving expense rates decrease one-half cent from the 2013 rates, while the rate for charitable service remains unchanged. Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

Limitations on Use of Standard Mileage Rates

A taxpayer may not use the business standard mileage rate for a vehicle after using any depreciation method under the [Modified Accelerated Cost Recovery System](#) (MACRS) or after claiming a [Section 179](#) deduction for that vehicle. In addition, the business standard mileage rate cannot be used for more than four vehicles used simultaneously.

These and other requirements for a taxpayer to use a standard mileage rate to calculate the amount of a deductible business, moving, medical or charitable expense are found in [Rev. Proc. 2010-51](#).

For More Information

[Notice 2013-80](#) contains the standard mileage rates, the amount a taxpayer must use in calculating reductions to basis for depreciation taken under the business standard mileage rate, and the maximum standard automobile cost that a taxpayer may use in computing the allowance under a fixed and variable rate plan.

Our section on [Fringe Benefits](#) includes more information on employer-provided transportation benefits.

7 Tips for Setting Employee Goals in the New Year

The start of the New Year is a great time for employers to review performance goals with their employees. Goal setting can have far-reaching benefits--in addition to increasing an employee's commitment and motivation, an employer can direct its employees' efforts toward maximizing accomplishments and supporting the company's own long-term goals.

Goal setting will be most successful when an employee is provided with clear expectations regarding performance that are tied to an understanding of how his or her individual work contributes to the company's overall goals. [According to experts](#), goals should be:



1. **Specific.** Clearly communicate the tasks or behaviors employees must accomplish or demonstrate to achieve successful results. Performance goals should function to align the employee's growth and development with that of the employer's business.
2. **Realistic.** Set goals that are challenging, but attainable based on a particular employee's knowledge, skill, and access to necessary resources. Seek input from employees and be sure to monitor and update goals as circumstances change to sustain and improve performance.
3. **Measurable.** Employees need to understand how their performance will be measured. Some types of performance can be measured quantitatively (i.e., number of sales), while some may be qualitative (i.e., customer satisfaction). Other goals may be more difficult to measure, but may be evaluated based on achievement.
4. **Deadline-Driven.** Set firm, but realistic time frames for achieving goals to increase productivity. For ongoing or long-term goals, regularly monitor progress and provide feedback to keep employees motivated and focused on the desired outcome.
5. **Prioritized.** When goals are numerous or complex, it can be easy for employees to lose a sense of priority and simply jump from one thing to another. Ranking is helpful so employees understand the relative importance of each goal.
6. **Evaluated.** Goals should be designed to support both the company and the individual employee's personal development. Keep in mind that goals may need to be updated based on the employer's needs and the employee's progress.
7. **Coordinated.** Develop goals for each individual that complement the efforts of other employees. Break apart more complicated goals into manageable pieces and delegate them to each employee working as part of the team.

Be sure that any goal setting process and measurements of performance treat all employees equitably and are in compliance with federal and state nondiscrimination laws.

Check out our section on [Motivating Employees](#) for more ideas on how to boost employee productivity.

New Guidance on Participation by Same-Sex Spouses in Certain Employee Benefit Plans

A new set of [questions and answers](#) expands on previous IRS guidance announcing that same-sex couples, legally married in jurisdictions that recognize their marriages, will be treated as married for all federal tax purposes. The Q&As provide further clarification with respect to the federal tax treatment of certain types of employee benefit arrangements.

Key topics addressed by the Q&As include:

- The application of the annual contribution limit to [health savings accounts](#) (HSAs) to same-sex married couples and issues related to excess contributions;
- The permissibility of mid-year election changes to [cafeteria plans](#) (also known as section 125 plans) based upon a change in legal marital status and issues related to pre-tax and after-tax contributions for same-sex spouse coverage; and
- The reimbursement of covered expenses from health [flexible spending arrangements](#) (FSAs) for a

participant's same-sex spouse and the same-sex spouse's dependents.

For more information on these types of employee benefit arrangements, visit our section on [HSAs, FSAs, & Other Tax-Favored Plans](#).

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