



Compliance Alert

November 28, 2011

BOON-CHAPMAN

W-2 Reporting Requirements of Health Care Costs

Introduction

The Patient Protection and Affordable Care Act of 2010 requires employers to report the aggregate costs (employer and employee contribution) of applicable employer-sponsored health plans on their employees' W-2 forms. This requirement begins with the 2012 filing year, the W-2's for which will be distributed in January of 2013.

Who Must Comply

All employers filing 250 or more W-2 forms must comply. Grandfathered plans are not exempt from this requirement. For smaller employers (those filing fewer than 250 W-2 forms) the requirement is optional for the 2012 filing year, with this optional treatment continuing until further guidance is issued.

Details

Employers must calculate monthly and yearly aggregate costs of certain employer-sponsored health insurance plans. This means calculating both the employer and the employee contributions of the applicable plans. The included plans that must be calculated and reported are:

- Major medical
- Medicare supplemental
- Medicare advantage
- Mini-med plans
- Onsite medical clinics
- Employer contributions to health FSA (including flex credits employee elects to apply)
- Employer contributions to hospital or fixed indemnity plan, or specified disease or illness insurance
- Wellness benefits (if program qualifies as a health benefit)
- Employee assistance plan (except referral only)
- Executive medical coverage (insured or self-funded); includes executive physical screenings and supplemental coverage

Dental and vision plans are only included in the requirement if they are not stand-alone plans.

The IRS has emphasized that this new reporting requirement is for informational purposes only (to inform employees of the cost of their healthcare coverage). It does not cause employer-provided health coverage to become taxable. Employer-provided health coverage continues to be excludable from an employee's income and is not considered taxable income.

Calculating Aggregate Coverage

Self-funded plans can calculate the aggregate cost of coverage by using rules similar to those used to determine COBRA premiums (as set forth by the Internal Revenue Code, Section 4980B(f)(4)). Using this method, the aggregate cost of the employer-sponsored plan is equal to the COBRA rate for the coverage, less the 2 percent administrative charge that maybe applied to COBRA coverage.

Additional Information

Additional information can be found on the IRS website, [IRS.gov](http://www.irs.gov), or contact your Account Manager.

View/download the IRS notice at <http://www.irs.gov/pub/irs-drop/n-11-28.pdf>.

If you have questions or comments about this notice, please contact your Account Manager.

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