



Email Connection

Employers should prepare now to report cost-of-coverage information

Employers issuing W-2 forms to employees in January 2013 for the 2012 tax year are required by the Affordable Care Act (ACA) to disclose the total cost of their employees' group health plan benefit coverage on the W-2.

This new [employer reporting requirement](#) impacts fully-insured and self-funded customers who are filing 250 or more W-2 forms for the 2012 tax year. The Internal Revenue Service (IRS) is not requiring customers who are filing fewer than 250 W-2 forms to report cost-of-coverage information until the 2013 tax year.

It is the responsibility of each employer, not health insurers, to meet the W-2 reporting requirement.

Required coverage costs for W-2 reporting

The reported cost of employer-sponsored coverage includes both the portion of the cost paid by the employer and the portion of the cost paid by the employee, regardless of whether the employee paid through pre-tax or after-tax contributions.

The amount reported is not subject to income tax. It is informational only and designed to show employees the value of their health care benefits. Only covered employees (not beneficiaries and dependents) will receive cost-of-coverage information. The following chart shows some of the coverage reporting requirements. Please refer to the [IRS website](#) for additional guidance.

Coverage type	Required	Not required
Medical plans (including integrated dental and vision)	X	

Prescription drug plans	X	
Employee Assistance Plans (EAP)*	X	
Wellness programs*	X	
On-site clinics*	X	
Long-term care and HIPAA-excluded benefits plans (such as workers' compensation insurance)		X
Stand-alone dental and vision plan coverage		X
Contributions to an Archer Medical Savings Account or Health Savings Account		X
Employee salary reduction election for a Flexible Spending Account		X
Employer contributions to a Health Reimbursement Account		X

*Required only if the employer charges a COBRA premium.

Calculating cost-of-coverage information

Each employer must determine what cost-of-coverage information should be reported and which employees should receive it. Fully-insured customers may calculate cost of coverage using the premium amount charged by AmeriHealth New Jersey. Self-funded customers may use the following methods:

- **COBRA applicable premium method:** An employer may use COBRA premium cost to calculate reportable cost.
- **Modified COBRA premium method:** If an employer subsidizes the cost of COBRA coverage, it may use a reasonable good faith estimate of the COBRA premium, or if the current year COBRA premium is equal to a prior year COBRA rate, the prior year COBRA can be used to report the cost of coverage in the current year.

Resources for customers

Customers may view this [IRS webinar](#) to learn more about the W-2 reporting requirement. We also encourage them to consult with their payroll vendor, legal counsel, or tax preparer for assistance.

If a customer needs additional assistance beyond the resources outlined above, please contact

your Brown & Brown account manager.

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