

12-16-2015

## Affordable Care Act 2016 Changes

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Schlake, Marilyn, "Affordable Care Act 2016 Changes" (2015). *Cornhusker Economics*. 797.  
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# Cornhusker Economics

## Affordable Care Act 2016 Changes

Market Report	Year Ago	4 Wks Ago	12-16-15
<b>Livestock and Products.</b>			
<b>Weekly Average</b>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight. . . . .	162.97	NA	116.36
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb. . . . .	300.66	204.57	181.56
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb. . . . .	242.09	179.65	153.11
Choice Boxed Beef, 600-750 lb. Carcass. . . . .	249.05	213.79	203.13
Western Corn Belt Base Hog Price Carcass, Negotiated. . . . .	83.03	51.62	51.32
Pork Carcass Cutout, 185 lb. Carcass 51-52% Lean. . . . .	91.96	74.65	72.81
Slaughter Lambs, woolled and shorn, 135-165 lb. National. . . . .	147.00	152.97	146.22
National Carcass Lamb Cutout FOB. . . . .	375.96	363.59	360.03
<b>Crops.</b>			
<b>Daily Spot Prices</b>			
Wheat, No. 1, H.W. Imperial, bu. . . . .	5.81	3.90	3.98
Corn, No. 2, Yellow Nebraska City, bu. . . . .	3.73	3.34	3.51
Soybeans, No. 1, Yellow Nebraska City, bu. . . . .	9.92	8.05	8.28
Grain Sorghum, No.2, Yellow Dorchester, cwt. . . . .	7.46	8.50	5.73
Oats, No. 2, Heavy Minneapolis, Mn, bu. . . . .	3.45	2.64	2.87
<b>Feed</b>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton. . . . .	193.75	182.50	177.50
Alfalfa, Large Rounds, Good Platte Valley, ton. . . . .	85.00	75.00	77.50
Grass Hay, Large Rounds, Good Nebraska, ton. . . . .	75.00	77.50	85.00
Dried Distillers Grains, 10% Moisture Nebraska Average. . . . .	157.00	127.75	132.00
Wet Distillers Grains, 65-70% Moisture Nebraska Average. . . . .	49.00	51.13	51.00
* No Market			

Since enacted in 2010, the Affordable Care Act (ACA) has in some capacity affected nearly all individuals and businesses throughout the United States. With its sweeping legislation, insurance companies, health providers, employers and individuals alike have changed how they operate within the health industry. These changes will continue as more ACA regulations go into effect in 2016 and 2017. Understanding how these changes affect you and your family and business is important to successfully navigate through the evolving ACA regulations.

### Individual and Family Coverage Requirements

The individual shared responsibility provision of the ACA requires individuals to purchase health insurance for themselves and applicable family members. To receive health care subsidies, health policies must be purchased through the federal exchange at [healthcare.gov](http://healthcare.gov). According to the Kaiser Family Foundation, there were 63,776 Nebraskans who enrolled in the federal exchange on June 30, 2015. Of those enrolled, 56,192 or 88% received advanced premium tax credits and 31,884 or 50% received cost-sharing reductions. The Nebraska Department of Insurance reports that the average monthly average credit was \$217 per month and majority of the health plans purchased were at the Bronze and Silver tiers.

Those who did not have health insurance coverage or fit within a regulatory exemption during 2015 will face a tax penalty, payable with their federal income tax. For 2015, the penalty for not having health insurance is \$325 per adult and \$162.50 per child with a maximum up to \$975 for a family or 2% of family income, whichever is greater. The penalty starts after three months without coverage and is prorated at 1/12 of the total annual penalty per month. For 2016, the non-compliance penalties increase to \$695 per adult and \$347.50 per child with a maximum of \$2,085 for a family or 2.5% of family income, whichever is greater. Open enrollment for individuals and families started November 1, 2015 and will continue until January 31, 2016. Individuals who experience a personal change such as divorce or marriage can enroll throughout the year.

To avoid penalties, all individuals must have ACA compliant health insurance policies. However, the Transitional Policy, issued by President Obama on November 14, 2013 allowed for individuals who had an older, noncompliant ACA policy the option of renewing that policy on or before October 1, 2016 without being considered to be out of ACA compliance. These policies must have been renewed before December 31, 2013 to qualify. Although the Transitional Policy is still in effect for these older policies, many insurance carriers are encouraging policies to be transitioned to new ACA compliant policies.

### **Mid-sized Employer Requirements**

As originally passed in 2010, the Affordable Care Act requires all businesses with 50 or more full-time equivalent employees to provide health insurance coverage by 2015 or face significant penalties. On February 10, 2014, the Obama Administration delayed the employer shared responsibility requirement for mid-sized businesses with 50-99 full-time equivalent (FTE) employees until January 1, 2016. These businesses must now provide health insurance coverage for their employees. If a business has an employment roster near the 50 FTE level, it is advisable to work directly with an insurance carrier to determine the proper threshold count, measurement periods and the best policies for your employees and business.

In 2016, the ACA reclassifies employers with 50-99 FTEs as an applicable small employer (ASE). Although states have the option of retaining the current small employer classification of 50 or less FTE, Nebraska chose to follow the federal guidelines. This reclassification allows businesses with less than 100 FTEs the option of going to the Small Business Health Options Program (SHOP) federal marketplace for group insurance plans. These businesses will also move into the "small group market" for insurance coverage. Due to a smaller actuarial pool, the premium costs are expected to be higher for the business.

Starting in 2016, mid-sized businesses must also meet the same ACA reporting requirements as large employers, even though they were not required to provide insurance during 2015. All employers will complete Form 1095-C for each full-time employee and provide this form to full-time employees by January 31 of each year. Employers are to send all the individual 1095-Cs to the Internal Revenue Service, along with Form 1094-C by February 28 if mailed or March 31 if filed electronically. Health insurance carriers can assist with these reporting requirements and must also supply complementary forms 1094-B and 1095-B forms to the IRS.

### **Small Employer Requirements**

Employers with less than 49 FTE are exempt from the employer shared responsibility provision and are not obligated under the ACA to provide health coverage for their employees, nor complete any ACA reporting forms. However, they may choose to provide health insurance to maintain and attract high quality employees.

For employers who provide health insurance coverage and have less than 25 FTE, there are small business tax credits available if purchased through the Small Business Health Options Program (SHOP). The credit is on a sliding scale and disappears for employers with more than 25 workers or exceed the average wage of \$50,000. Employers with 10 or fewer workers with an average annual

wage less than \$25,400 (2014) and \$25,800 (2015) may qualify for the maximum tax credit of 50% of the employer's premium costs. The employee count excludes family members of owners/partners or seasonal workers who work fewer than 120 days during the taxable year.

The tax credits are applicable for two consecutive years, with the option to carry the credit back or forward to other tax years. Employers file Form 8941 to claim the tax credit. The remainder of the insurance premium costs not covered by the tax credit can be deducted from the business taxes.

To enroll in SHOP, employers will need to create an online account, select their insurance coverage plan and enroll employees. Each employee is to then accept or reject the offered plan. To be eligible, employers must have a minimum 70% employee participation rate. However, each year from November 15 to December 15, the minimum participation rate is waived. Upon renewal in 12 months, if the business chooses to enroll in the same health plan, the business will need to meet SHOP's minimum participation rate thereafter.

The rules and regulations will continue to evolve as the ACA legislations rolls out and new legislation is enacted. Staying up-to-date on these regulations and communicating with an accountant and health insurance carrier will help business owners remain ACA compliant and avoid tax penalties.

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