

Grants for Small Businesses to Provide Comprehensive Workplace Wellness Programs

The Affordable Care Act authorizes \$200 million to be appropriated for fiscal years 2011 through 2015 for grants to eligible small employers with fewer than 100 employees to provide employees with access to comprehensive workplace wellness programs. HHS is responsible for developing program criteria and application procedures for the grants.

Medical Loss Ratio

Beginning in 2011, insurance companies are required to spend at least 80% of the premium dollars they collect on medical care and quality improvement activities, and also must publicly report how they spend premium dollars. Insurance companies that are not meeting the medical loss ratio standard will be required to provide rebates to their consumers, with the first round of rebates to be made in 2012.

Medicare Part D

Starting Jan. 1, 2011, Medicare Part D enrollees who reach the coverage gap (also called the "donut hole") will automatically receive a 50% discount on covered brand-name drugs. Those enrollees who entered the Medicare "donut hole" in 2010 received a tax-free, one-time \$250 rebate check from Medicare.

New Requirement on Form W-2 to Report Cost of Employer-Provided Health Coverage: See Special Update Below

Special Update: Starting in tax year 2011, the Affordable Care Act requires employers to report the value of the health insurance coverage they provide employees on each employee's annual Form W-2. The amount reported is not taxable for federal income tax purposes. [Notice 2010-69](#), issued last fall, made this requirement optional for all employers for the 2011 Forms W-2 (generally furnished to employees in January 2012).

[Previous guidance](#) issued by the IRS provided further relief for smaller employers (those filing fewer than 250 W-2 forms) by making this requirement optional for them [at least for 2012](#) (i.e., for 2012 Forms W-2 that generally would be furnished to employees in January 2013) and continuing this optional treatment for smaller employers until further guidance is issued. [Notice 2012-9](#) restates and amends the previous guidance to clarify certain issues and provide additional information for employers that are subject to the reporting requirement for the 2012 Forms W-2 (generally furnished to employees in January 2013) and those that choose to voluntarily comply, including information on how to report, what coverage to include and how to determine the cost of the coverage.

Repeal of Form 1099 Filing Requirement: See Special Update Below

Special Update: President Obama has signed into law a bill that removes the expanded "1099" reporting requirement from the Affordable Care Act. The provision would have required businesses to send 1099 forms for all purchases of goods and services of \$600 or more annually. The "Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011:"

- Repeals the expansion in the Affordable Care Act of requirements for businesses to report information to the Internal Revenue Service on payments for goods of \$600 or more annually to other businesses; and
- Increases the amount of overpayment subject to repayment of premium assistance tax credits for health insurance coverage purchases through the Exchanges established under the Affordable Care Act.

You may view the press release by [clicking here](#).

Simple Cafeteria Plans

For plan years starting on or after Jan 1, 2011, eligible small businesses may establish "simple cafeteria plans" which can automatically satisfy the Internal Revenue Code's nondiscrimination rules for cafeteria plans.

Tax Increase on Nonqualified Medical Expense Distributions from HSAs

Starting in 2011, the law would increase the excise tax on distributions from a Health Savings Account or Archer MSA if the distributions are not for a qualified medical expense. The tax on these distributions would increase to 20%, from 10% for HSAs and 15% for Archer MSAs. The threshold to itemize unreimbursed medical expenses as a deduction on tax returns would increase from 7.5% to 10% of adjusted gross income. The law also prohibits reimbursement of costs for over-the-counter drugs if they are not prescribed by a doctor, in relation to HSAs, Archer MSAs, FSAs and HRAs.