



Health Care Reform News

New Form W-2 Reporting Requirements

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The Patient Protection and Affordable Care Act (PPACA) adds a new reporting requirement aimed at improving health care transparency and cost awareness by requiring employers to report the value of employees' health benefits on Form W-2s.

Starting with the 2011 tax year, employers will be required to calculate and report the aggregate cost of applicable employer-sponsored health insurance coverage on employees' Form W-2s. The aggregate cost of the coverage is determined using rules similar to those used for determining the applicable premiums for purposes of COBRA continuation coverage.



While most W-2s for tax year 2011 will be issued in January 2012, W-2s reflecting the new health insurance information must be available no later than February 1, 2011 in the event that a terminating employee requests their form early. It is recommended that you ensure that your payroll system is updated for this change by January 2011.

Please note that although the information must be disclosed, this requirement does not mean that the cost of the coverage will be taxable to the employee. The W-2 reporting will be a way to track coverage values for the 40% excise tax (starting in 2018) on "high-cost" employer-based medical coverage above certain thresholds (the so-called "Cadillac plan tax").

The coverage costs (whether under an insured or self-insured plan) that must be reported under the new requirement include:

- Medical plans
- Prescription drug plans
- Dental and vision plans, unless they are "stand alone" plans (i.e., an employee may elect only dental or only vision and is not required to also enroll in medical coverage)
- Executive physicals
- On-site clinics if they provide more than *de minimis* care
- Medicare supplemental policies
- Employee assistance programs

Some types of coverage do not need to be reported on the Form W-2 under this requirement. These are:

- Long-term care, accident or disability income benefits
- Specific disease or illness policies (such as cancer policies), and hospital (or other) indemnity insurance policies where the full premium is paid by the employee on an after-tax basis
- Archer MSA or HSA contributions of the employee or the employee's spouse
- Salary reduction contributions to a Health FSA