Healthcare Employer "Play or Pay" Mandate Penalties Delayed to 2015

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On July 2, 2013, the U.S. Treasury Department issued a statement that enforcement of the employer "play or pay" mandate penalties under the Internal Revenue Code – and therefore the coverage obligations to avoid such penalties – will be delayed one year to 2015. This is a significant event for a number of reasons.

Over the past three years, Healthcare Reform has imposed many changes and new obligations with respect to employer-sponsored group health plan coverage. For most employers, the most significant new obligation will be the employer "play or pay" mandate (referred to as the "employer mandate"). In general, the employer mandate requires so called "large employers" with 50 or more full-time employees and full-time equivalents to offer affordable minimum value coverage to substantially all of their full-time employees (and their dependents) or else be subject to an annual nondeductible penalty tax of up to $2,000 per full-time employee.

The employer mandate was originally scheduled to take effect on January 1, 2014, but with this Treasury Department announcement, the deadline has been extended for one year. While much of the Treasury Department statement focuses on a similar one-year delay of related reporting requirements, the end of the statement provides in no uncertain terms that the employer mandate penalties "will not apply until 2015." The statement then goes on to provide that "our actions today do not affect employees' access to the premium tax credits available under the ACA (nor any other provision of the ACA)."

Accordingly, while employers will now have an extra year to comply with the employer mandate coverage obligations (and related reporting requirements) in order to avoid significant penalties, all other aspects of Healthcare Reform (and any related compliance obligations) will take effect as originally planned. Last, but not least, the Treasury Department statement provides that formal guidance on the delay in enforcing the employer mandate penalties is expected to be issued sometime in the next week.

For advice on how this new guidance might affect your operation, or to strategize over how to manage your employer mandate obligations, contact a member of the Fisher Phillips Employee Benefits Practice Group.

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