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Watch Out!
There Are New Rules Regarding Excepted Benefits

Laura Feather, Staff Accountant
lfeather@dmlo.com

Does your company offer dental, vision, long-term care or employee assistance plans? If it does, pay attention to new regulations jointly issued by the IRS, the Department of Labor, and the Department of Health and Human Services. The new rules should make these plans more attractive to both employers and employees.

Limited excepted benefits

The regs address limited excepted benefits, which are separate from employers' group health plans. These benefits often include limited-scope dental and vision plans, as well as benefits for long-term care, nursing home care and home health care.

The "excepted" status is key, because excepted benefits aren't subject to some of the portability and nondiscrimination requirements of the Health Insurance Portability and Accountability Act (HIPAA) and the Affordable Care Act. In addition, employees who are eligible to participate in excepted plans aren't precluded from receiving tax credits for their insurance premiums if they obtain health care coverage through a health insurance exchange.

The change

Before the rules were enacted, employers had to collect contributions from participants before their limited-scope vision or dental plans or their long-term care benefits could qualify as excepted. However, as the agencies stated, "In some cases, the cost of collecting the nominal contribution would be greater than the contribution itself."

The agencies removed the requirement that plan participants pay an additional premium or contribution before limited benefit plans could qualify as excepted. The IRS also said limited-scope vision or dental benefits don't have to be offered in connection with a major medical or primary group health plan to be considered excepted.

In addition, the new rules establish four criteria under which employee assistance plans (EAPs) can be considered as excepted benefit plans. First, EAPs can't provide significant health care benefits. "Significant" is determined by the amount, scope and duration of the benefits offered. For instance, an EAP that provides disease management services for individuals with chronic conditions likely wouldn't qualify as an excepted benefit plan.

In addition, an EAP's benefits can't be coordinated with the benefits available under another group health plan, and employees can't be required to provide contributions or pay premiums to participate in the EAP. Finally, the EAP can't impose any cost-sharing requirements.

Are you ready?

The new rules kick in for plan years beginning on or after Jan. 1, 2015, so make sure you contact your benefits advisor. He or she can offer additional insight on excepted benefits and the impact of these rules. •