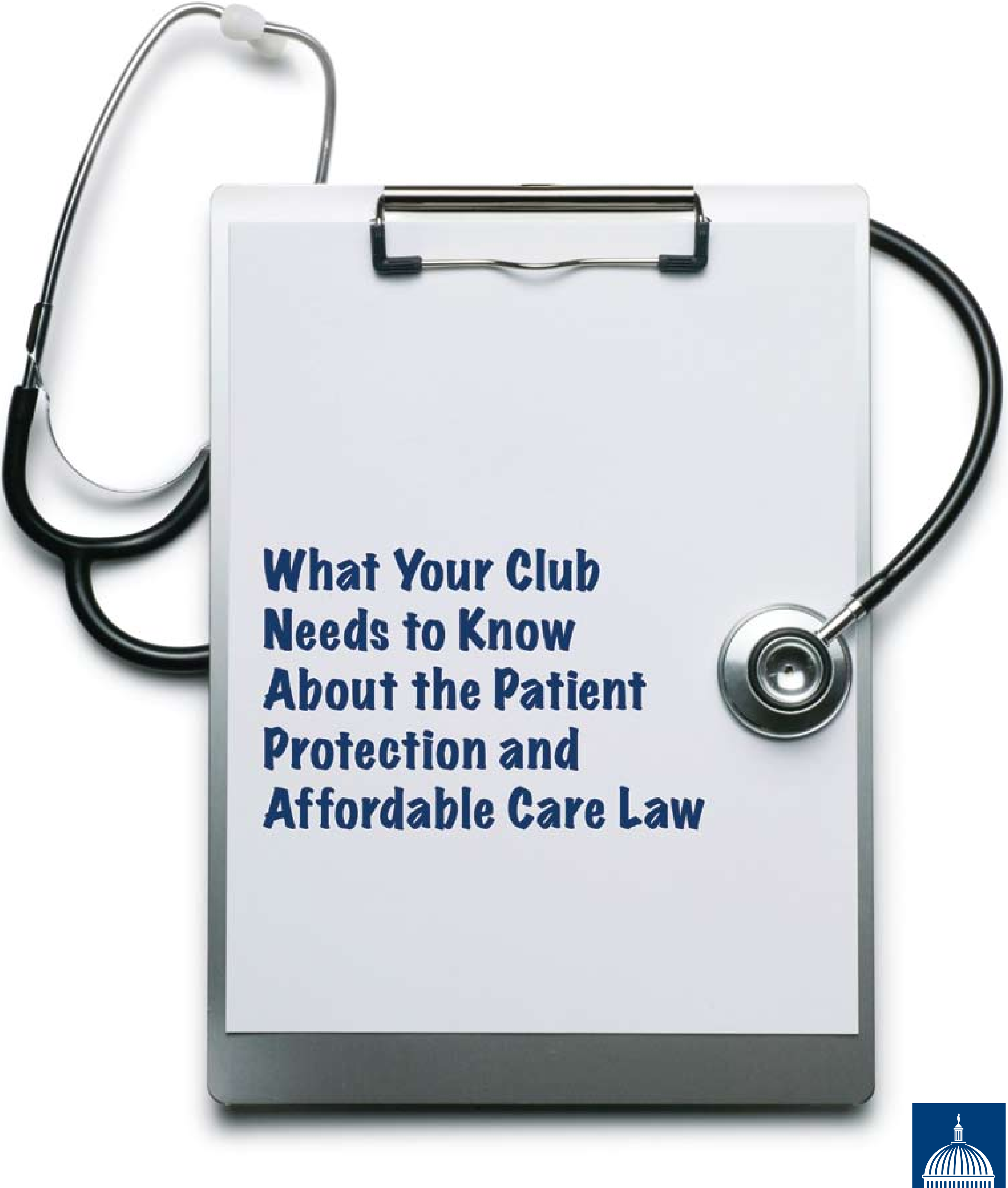
What Your Club Needs to Know About the Patient Protection and Affordable Care Law



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NATIONAL CLUB ASSOCIATION

What Your Club Needs to Know about the Patient Protection & Affordable Care Law

After more than a year of debate, the Patient Protection and Affordable Care Act is now the law of the land and the "fix it" bill that tweaks the law has been passed as well. As such, the battle is over and the job of implementing the statute is now at hand.

Under the new law, many private clubs will have administrative and paperwork requirements that will take extra time. One of the most onerous new tasks is the requirement to file a 1099 for all purchases of *goods* and services that total $600 or more. Private clubs have never had to submit a 1099 for goods costing $600 or more, but in 2012 they will be required to do so unless they make the purchase from a tax-exempt entity.

Aside from this type of paperwork nightmare, there will be more significant matters that private clubs will need to take into consideration as this measure takes full effect over the next few years. To help members understand its effects and their new responsibilities, NCA has outlined some of the more crucial elements of the law that will directly and indirectly impact clubs:

New Employer Mandates—Effective January 1, 2014:

1. Clubs with an average of 50 full-time employees during the last year must offer insurance to their full-time employees.
    a. "Full-time employee" is defined as one who is employed on average at least 30 hours/week during any month.

2. Part-time employees are to be counted when determining if your club has 50 full-timers, but you are not required to offer them insurance. The formula used to count part-time employees is as follows:
    a. Take the total hours worked by part-timers in a month and divide by 120, then
    b. Add that number to the number of full-timers to see if you reach 50.

3. Clubs that meet the 50 full-time employee threshold and do not offer insurance will be fined up to $2,000 per full-timer (less the first 30 full-timers) if:
    a. One full-time employee enrolls in a separate plan, and
    b. That employee is eligible to receive a tax credit or subsidy.

4. Clubs that meet the 50 full-time employee threshold and do offer insurance can still be fined. The fine is up to $3,000 for each full-time employee who:
    a. Enrolls in a separate plan, and
    b. Is eligible to receive a tax credit or subsidy.

5. If a club has 50 full-time employees, then its full-time seasonal workers must also be offered insurance.

6. If a club has fewer than 50 full-time employees but its full-time seasonal workers push it over the threshold, then:
    a. The club will have to offer insurance to its full-time employees if it reaches the threshold for more than 120 days.
    b. The club will not have to offer insurance to its full-time employees if it reaches the threshold for 120 days or less.

7. "Seasonal worker" is defined as one who performs labor or services on a seasonal basis.

8. Clubs with 200 or fewer full-time employees may have up to a 90 day probationary period before offering new full-time employees insurance.

9. Clubs with more than 200 full-time employees may not have a probationary period that delays enrollment in an insurance plan. They must automatically enroll new full-timers in their insurance plan and give the new employee an opportunity to opt-out.

New American Health Benefit Exchanges—Effective January 1, 2014

Clubs with 100 or less employees will be eligible to use the Small Business Health Options Program Exchange (SHOP Exchange) to purchase insurance. A state may allow clubs with 100 or more employees into its SHOP Exchange if it so chooses after 2017. It is hoped that such clubs will see lower health insurance premiums with the pooling provisions included in the Exchange.

1. Each state must establish an Exchange that makes qualified health plans available for purchase by qualified employers.

2. An Exchange may operate in more than one state if each state agrees.

3. An Exchange must:
    a. Certify that the plans offered meet government requirements,
    b. Provide a comparative analysis of the offered plans,
    c. Provide cost information for each plan, and
    d. Assign a quality rating to each plan.

4. The new law requires health insurance providers to consider all enrollees of health plans offered through the small group market to be members of one, single risk pool - whether those enrollees purchased insurance through the Exchange or not.

5. Starting in 2013, private clubs must begin to notify their employees of the Exchange, what it does and that those employees may get subsidized assistance if they use it.

New and Increased Taxes on Private Club Members—Effective January 1, 2013

Before these tax changes take place, private clubs will need to consider whether to budget for a potential decrease in revenue.

1. A new 3.8% tax on interest, investment and dividend income for those individuals making $200,000 or more per year and for those couples making $250,000 or more per year.
    a. This tax is in addition to any capital gains tax and income tax already levied against those funds.

2. The Medicare payroll tax is increased by .9% for those individuals making $200,000 or more per year and couples making $250,000 or more per year.
    a. If a club has 50 families making $250,000 per year, then this comparatively small payroll tax increase could cost it more than $100,000.

New Fees and Taxes Affecting Current Health Insurance Premiums

Private clubs will need to be prepared for a potential health insurance rate increase that may arise from the expected pass through of the following revenue raisers found in the new law:

1. A new fee on pharmaceutical manufacturers for all items sold—beginning January 1, 2011.

2. A 2.9% tax on medical device manufacturers for all products sold—beginning January 1, 2013.

3. An insurance company fee for all policies sold—beginning January 1, 2014.

4. A 40% tax on health insurance policies costing more than $10,200 for an individual plan or $27,500 for a family plan—beginning January 1, 2018.
    a. The tax is levied only on the amount above the threshold limit.