Reporting the Cost of Employer-Sponsored Health Care Coverage on IRS Form W-2

For Calendar Year 2015 (W-2s issued in January 2016)

Federal Requirement for Reporting on W-2's

Federal law requires reporting of employer-sponsored medical and dental costs on employee W-2 Forms. *(HCA relied on IRS instructions from Form W-2 (Cat. No. 25979S) and Interim Relief Instruction Notice 2011-28 in preparing the above instructions and examples.)*

Employers are required to determine and report three numbers:

1. Employee contributions toward medical and dental insurance premiums.
2. The cost of employer-sponsored medical and dental care.
3. The cost of employer contributions and optional employee contributions through payroll deduction (if applicable) to a Health Savings Account (HSA) *(if employee has one).*

Numbers Provided by PEBB

- PEBB, as the plan administrator, is providing applicable rates for employers to carry-out their reporting responsibility. See the attached table entitled "Employer Reporting for the Cost of Employer-Sponsored Health Coverage on IRS Form W-2."
- The numbers in the columns entitled "Cost of Employer-Sponsored Medical Care" and "Cost of Employer-Sponsored Dental Care" are applicable to all employers affiliated with PEBB.
- The "Employee Contribution" amount has been left blank on the attached chart so you may enter the appropriate employee contribution amounts for your group.
- Participating employer groups, tribes, K-12 school districts and ESD's should rely on their own tax consultants for guidance on reporting W-2 information.

Calculating Numbers for W-2 Reporting

1. ***Employee Contribution –*** Calculating and reporting the employee contribution for medical and dental insurance premiums:
   a. Enter the employee contribution amount in the attached table for each of the plans and tiers.
   b. Identify the employee's tier (i.e., subscriber only, subscriber and spouse, subscriber and child, or full family).
   c. Identify employee's medical and dental plans.
   d. Identify employee's pre-tax deductions.
   e. Identify employee's applied premium surcharges for tobacco use and spouse/domestic partner, is applicable.
   f. Sum the pre-tax **"Employee Contribution"** for medical plus dental (if any) and report in box 14 of the W-2.

- If the employee waived medical and there is no employee premium for dental, report zero. If your employees pay a portion of the dental premium, report the employee premium for dental.
- Consider each month separately to account for any mid-year changes in tier, plan or premium surcharges. Then calculate the total for the tax year.

2. ***Employer Contribution –*** Calculating and reporting the cost of employer-sponsored medical and dental care:
   a. Identify the employee's tier (i.e., subscriber only, subscriber and spouse, subscriber and child, or full family.
   b. Full-Package Employers – Identify the employee's medical and dental plan. Medical Only Groups – Identify the employee's medical plan.
   c. Sum the **"Cost of Employer-Sponsored Medical Care"** and **"Dental Care"** and report in box 12 of the W-2 using code DD.
      - If the employee waived medical, report dental.
      - Consider each month separately to account for any mid-year changes in tier or plan. Then calculate the total for the tax year.
      - Include the cost of any non-tax qualified dependents medical insurance and domestic partner premium surcharges as part of the aggregate cost of health insurance. Report as defined in the guidance provided in the Tax Issues for Non-Qualified Tax Dependents posted on the Rates page of the pers/pay website: www.hca.wa.gov/perspay.
3. ***Health Savings Account –*** Calculating and reporting the Health Savings Account (HSA) contribution of the employer and the employee:
   a. Sum the **"Cost of Employer-Paid Health Savings Account"** plus any optional payroll deductions toward the HSA made by the employee plus the $125 wellness incentive, if the employee received the incentive for 2015, and include in box 12 using code W of the W-2.
      - Include both the pre- and post-tax discretionary/voluntary payroll deductions to the HSA.

Examples of Calculating and reporting Employer-Sponsored Health Care Cost

Examples of calculating the employer-sponsored health care cost (#2 above) and cost of employer-paid and employer contributions to an HSA through payroll deduction (#3 above)

Example A – *(see guidance letters A and A1 on the rate chart)*:

Single employee (subscriber) enrolled in Group Health Value for medical and Uniform Dental Plan for dental.

Group Health Value		$ 569.38	*(see A on rates chart)*
Uniform Dental Plan	+	$ 45.72	*(see A1 on rates chart)*
Total cost of health care per month		$ 615.10	

Multiply total cost of health care per month by the number of months the employee was enrolled in the plans for that tax year. Report the total in box 12 on the W-2 form using code DD.

Example B – *(see guidance letters B, B1, B2 and B3 on the rate chart)*:

Married employee and spouse (subscriber and spouse) are enrolled in UMP CDHP with HSA for medical and DeltaCare for dental.

UMP CDHP with HSA		$ 1056.18	*(see B on rates chart)*
DeltaCare	+	$ 79.06	*(see B1 on rates chart)*
Total cost of health care per month		$ 1135.24	
Employer Contribution for HSA		$ 116.67	*(see B2 on rates chart)*
Optional HSA Employee Contribution through payroll deduction	+	$ xx.xx	
Wellness Incentive (if earned in 2015	+	$ 125.00	*(see B3 on rates chart)*
Total HSA contribution per month		Total	

Multiply total cost of health care per month by the number of months the employee was enrolled in the plans for that tax year. Report the total health care in box 12 on the W-2 form using code DD.

Multiply total HSA contribution per month by the number of months the contributions were made to the HSA for that tax year, then add the $125 wellness incentive* if the employee earned it. Report the total HSA contribution in box 12 in the W-2 form using code W.

**The wellness incentive is a onetime deposit of $125; do not multiply the $125 by the number of months contributions were made.*

Example C – *(see guidance letter C on the rate chart)*:

Married employee waived medical and enrolled full family in Uniform Dental Plan only.

Uniform Dental Plan	+	$ 135.66	*(see C on rates chart)*
Total cost of health care per month		$ 135.66	

Multiply total cost of health care per month by the number of months the employee was enrolled in the plans for that tax year. Report the total in box 12 on the W-2 form using code DD.

Example D – Employee is not eligible for insurance.

Not eligible for benefits	$ 0.00	*(Nothing to report on W-2)*

Washington State Health Care Authority

2015 PEBB Rate Book

Employer Reporting for the Cost of Employer Sponsored Health Coverage On IRS Form W-2

State Active Medical per Month excluding $25 Tobacco Use and $50 Spouse Waiver (AV) Surcharge

	Subscriber				Subscriber and Spouse				Subscriber and Child(ren)				Full Family			
			ER HSA Contribution				ER HSA Contribution				ER HSA Contribution				ER HSA Contribution	
	Employee Contribution	Cost of Employer-Sponsored Medical Care	Cost of Employer Paid Health Savings Account	Wellness Incentive (onetime deposit if earned for 2015)	Employee Contribution	Cost of Employer-Sponsored Medical Care	Cost of Employer Paid Health Savings Account	Wellness Incentive (onetime deposit if earned for 2015)	Employee Contribution	Cost of Employer-Sponsored Medical Care	Cost of Employer Paid Health Savings Account	Wellness Incentive (onetime deposit if earned for 2015)	Employee Contribution	Cost of Employer-Sponsored Medical Care	Cost of Employer Paid Health Savings Account	Wellness Incentive (onetime deposit if earned for 2015)
Group Health Classic	$	$600.80			$	$1,195.35			$	$1,046.71			$	$1,641.26		
Group Health Value	$	$569.38			$	$1,132.51			$	$991.73			$	$1,554.86		
Group Health CDHP	$	$530.10	$58.34	$125.00	$	$1,044.74	$116.67	$125.00	$	$930.66	$116.67	$125.00	$	$1,386.97	$116.67	$125.00
Kaiser Permanente Classic	$	$619.65			$	$1,233.05			$	$1,079.70			$	$1,693.10		
Kaiser CDHP	$	$540.35	$58.34	$125.00	$	$1,064.74	$116.67	$125.00	$	$948.23	$116.67	$125.00	$	$1,414.29	$116.67	$125.00
Uniform Medical Plan Classic	$	$578.51			$	$1,150.77			$	$1,007.71			$	$1,579.97		
Uniform Medical Plan CDHP	$	$535.82	$58.34	$125.00	$	$1,056.18	$116.67	$125.00	$	$940.67	$116.67	$125.00	$	$1,402.70	$116.67	$125.00

Surcharges

Tobacco Use Surcharge	$25	$25	$25	$25
Spouse Waiver (AV) Surcharge	$0	$50	$0	$50

State Active Dental per Month

	Subscriber				Subscriber and Spouse				Subscriber and Child(ren)				Full Family			
	Employee Contribution	Cost of Employer-Sponsored Dental Care			Employee Contribution	Cost of Employer-Sponsored Dental Care			Employee Contribution	Cost of Employer-Sponsored Dental Care			Employee Contribution	Cost of Employer-Sponsored Dental Care		
Willamette Dental	$	$42.37			$	$84.74			$	$84.74			$	$127.11		
DeltaCare	$	$39.53			$	$79.06			$	$79.06			$	$118.59		
Uniform Dental Plan	$	$45.22			$	$90.44			$	$90.44			$	$135.66		

Note:

The term "health coverage" includes medical and dental coverage.