

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

For Calendar Year 2016 (W-2s issued in January 2017)

State Agencies – Enterprise Services produces the W-2s and addresses this reporting for state agencies. Payroll offices need to be aware of the reporting requirements in the event manual adjustments are required for an employee’s year-to-date balance.

Federal Requirement for Reporting on W-2s

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 to a Medical 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 table entitled “Employer Reporting for the Cost of Employer-Sponsored Health Coverage on IRS Form W-2” at the end of this document.

Calculating Numbers for W-2 Reporting

1. **Employee Contribution** – Calculating and reporting the employee contribution for medical and dental insurance premiums:
 - a. Identify the employee’s tier (i.e., subscriber only, subscriber and spouse, subscriber and child, or full family).
 - b. Identify employee’s medical and dental plans.
 - c. Identify employee’s pre-tax deductions.
 - d. Identify employee’s applied premium surcharges for tobacco use and spouse/domestic partner, if applicable.
 - e. Sum the pre-tax “**Employee Contribution**” for medical and report in box 14 of the W-2. *(This reporting requirement is unchanged from previous years).*
 - If the employee waived medical, report zero.
 - 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. Identify the employee’s medical and dental plans.
 - 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* on the Rates page of the PersPay website at www.hca.wa.gov/perspay.
3. **Medical Health Savings Account** – Calculating and reporting the Medical 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 Medical HSA made by the employee plus the \$125 wellness incentive, if the employee received the incentive for 2016, and include in box 12 using code W.
 - Include both pre and post-tax employee discretionary payroll deductions to the Medical 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 a Medical 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 | \$ 573.99 | (see A on rates chart) |
| Uniform Dental Plan | + \$ 44.63 | (see A1 on rates chart) |
| Total cost of health care per month | \$ 618.62 | |

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 Medical HSA for medical and DeltaCare for dental. In addition, the employee earned the wellness incentive for 2015.

| | | |
|--|---------------------|-------------------------|
| UMP CDHP with Medical HSA | \$ 1033.62 | (see B on rates chart) |
| DeltaCare | + \$ <u>79.06</u> | (see B1 on rates chart) |
| Total cost of health care per month | \$ 1112.68 | |
| | | |
| Employer Contribution for Medical HSA | \$ 116.67 | (see B2 on rates chart) |
| Optional Medical HSA Employee Contribution through payroll deduction | + \$ <u>xx.xx</u> | |
| Wellness Incentive (if earned for 2015) | + \$ <u>125.00*</u> | (see B3 on rates chart) |
| Total Medical 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 Medical HSA contribution per month by the number of months the contributions were made to the Medical HSA for that tax year, then add the \$125 wellness incentive* if the employee earned it. Report the total Medical HSA contribution in box 12 in the W-2 form using code W.

**The wellness incentive is a one-time 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 | + \$ <u>133.89</u> | (see C on rates chart) |
| Total cost of health care per month | \$ 133.89 | |

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

2016 PEBB Rate Book

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

| State Active Medical per Month | | | | | | | | | | | | | | | | |
|--------------------------------|-----------------------|---|--|--|-----------------------|---|--|--|---------------------------|---|--|--|-----------------------|---|--|--|
| Plans | 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 (one-time deposit if earned for 2016) | Employee Contribution | Cost of Employer-Sponsored Medical Care | Cost of Employer-Paid Health Savings Account | Wellness Incentive (one-time deposit if earned for 2016) | Employee Contribution | Cost of Employer-Sponsored Medical Care | Cost of Employer-Paid Health Savings Account | Wellness Incentive (one-time deposit if earned for 2016) | Employee Contribution | Cost of Employer-Sponsored Medical Care | Cost of Employer-Paid Health Savings Account | Wellness Incentive (one-time deposit if earned for 2016) |
| Group Health Classic | \$118.00 | \$610.78 | | | \$100.00 | \$92.95 | | | \$207.00 | \$1,064.34 | | | \$335.00 | \$1,669.09 | | |
| Group Health Value | \$81.00 | \$573.99 | | | \$100.00 | \$95.95 | | | \$142.00 | \$999.96 | | | \$233.00 | \$1,567.92 | | |
| Group Health CDHP | \$22.00 | \$522.80 | \$58.34 | \$125.00 | \$54.00 | \$1,034.28 | \$116.67 | \$125.00 | \$39.00 | \$920.99 | \$116.67 | \$125.00 | \$71.00 | \$1,374.14 | \$116.67 | \$125.00 |
| Group Health SoundChoice | \$45.00 | \$538.09 | | | \$100.00 | \$1,070.15 | | | \$79.00 | \$937.14 | | | \$134.00 | \$1,469.20 | | |
| Kaiser Permanente Classic | \$144.00 | \$637.32 | | | \$298.00 | \$1,268.61 | | | \$252.00 | \$1,110.79 | | | \$406.00 | \$1,742.08 | | |
| Kaiser CDHP | \$29.00 | \$530.09 | \$58.34 | \$125.00 | \$68.00 | \$1,048.36 | \$116.67 | \$125.00 | \$51.00 | \$933.38 | \$116.67 | \$125.00 | \$90.00 | \$1,393.32 | \$116.67 | \$125.00 |
| Uniform Medical Plan Classic | \$84.00 | \$576.78 | | | \$178.00 | \$1,147.53 | | | \$147.00 | \$1,004.84 | | | \$241.00 | \$1,575.59 | | |
| Uniform Medical Plan CDHP | \$21.00 | \$522.47 | \$58.34 | \$125.00 | \$52.00 | \$1,033.62 | \$116.67 | \$125.00 | \$37.00 | \$920.42 | \$116.67 | \$125.00 | \$68.00 | \$1,373.24 | \$116.67 | \$125.00 |
| UMP Plus | \$59.00 | \$552.40 | | | \$128.00 | \$1,098.77 | | | \$103.00 | \$962.18 | | | \$172.00 | \$1,508.55 | | |
| Surcharges | | | | | | | | | | | | | | | | |
| Tobacco Use Surcharge | \$25 | | | | \$25 | | | | \$25 | | | | \$25 | | | |
| Spouse Waiver (AV) Surcharge | \$0 | | | | \$50 | | | | \$0 | | | | \$50 | | | |

| State Active Dental per Month | | | | | | | | | | | | | | | | |
|-------------------------------|-----------------------|--|--|--|-----------------------|--|--|--|---------------------------|--|--|--|-----------------------|--|--|--|
| Plans | 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 | \$ - | \$ 44.63 | | | \$ - | \$ 89.26 | | | \$ - | \$ 89.26 | | | \$ - | \$ 133.89 | | |