

IR&C Business Requirements Document

SR83411 - Capture Employer Provided Health Insurance Cost W-2 Reporting

Payroll

Created on: 07/29/2011

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1 Business Need Section

1.1 Objective:

To capture the aggregate cost of the UC sponsored health insurance to be reported on the employee's Form W-2. This information must be captured for tax years beginning after December 31, 2011; i.e., for reporting on the CY 2012 Form W-2 issued in January 2013. This SR is only for capturing the insurance cost. The W-2 reporting changes will be addressed in the 2012 W-2 SR.

1.2 Issue Tracker Reference

Corresponding Issue Tracker Number, if applicable: 218
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1.3 Project Type:

➤ Enhancement

Additional Project Type Information:

1.4 System

➤ PPS

Additional System Information:

1.5 Requested by:

Payroll Coordination and Tax Services, Marcia Johnson

1.6 Implementation Deadline:

1.6.1 Urgency

➤ Date Mandated

Additional Urgency Information:

1.6.2 Deadline Information

This must be implemented in time to capture the health insurance costs paid for the period beginning January 1, 2012 and ending December 31, 2012 to appear on the W-2 printed in January 2013.

1.7 Statement of Business Need:

IRS Code Sec. 6051(a)(14) enacted as part of the Affordable Care Act (PPACA) requires employers, including federal, state, and local government entities, to calculate and report the cost of applicable employer-sponsored health insurance coverage on employees' Form W-2. Per IRS Notice 2010-69, this requirement is mandatory for tax years beginning after December 31, 2011 {calendar year 2012} for the W-2 that is issued in January, 2013.

This requirement is for information purposes only and is not taxable. The purpose of the reporting is to provide useful comparative consumer information to employees on the cost of their health care coverage.

Both the employer and employee share of the aggregate health insurance cost provided to an employee in a calendar year will be reported, regardless of whether the employee paid for their share of the cost on a pre-tax or after-tax basis. The cost of the coverage is to be reported in Box 12 of the Form W-2, using the code "DD."

1.7.1 Additional Background:

The new rules apply to tax years beginning after December 31, 2011; therefore, PPS needs to be updated to begin calculating this information beginning January 1, 2012.

The aggregate reportable cost should exclude the following:

- Salary reduction contributions to a Health FSA

An employer is **not required** to report the cost of coverage under a dental or vision plan if such cost is **not integrated** into a group health plan providing additional health care coverage subject to the reporting requirements of Section 6051(a)(14). Because UC's dental and vision contracts are provided under separate contracts, only medical coverage costs need to be included under these reporting rules.

The aggregate reportable cost includes the cost of coverage under the employer-sponsored group health plan of the employee and any person covered by the plan because of a relationship to the employee, including any portion of the cost that is includible in an employee's gross income such as coverage given to an adult child.

An employer may calculate the reportable cost under a plan using four allowable methods: 1). COBRA applicable premium method; 2). modified COBRA premium method; 3). composite rate method; or 4). premium charged method.

1.8 Current Process:

Not Applicable

1.9 Proposed Process

1.9.1 Proposed process from a functional perspective

Beginning in the tax year beginning January 1, 2012, UC must calculate and report the aggregate cost of the UC-sponsored health insurance coverage provided to employees each calendar year. This total will consist of a combination of the employer and employee cost for medical insurance. This information must be included in Box 12 of the W-2 using the new code DD. The reporting is informational only and is not included in the employee's taxable income.

Salary reduction contributions to a Health FSA are exempt from this reporting. In addition, a Form W-2 is not required to be given to an individual to whom the employer is not otherwise required to issue a W-2.

For example, Post Doc Fellows (Title Code 3253) and Post Doc Paid Directs (Title Code 3254) who are given a supplemental payment under Title Code 3252 (Post Doc Employee) and would otherwise be issued a Form W-2 by UC for that income will need to have their health insurance cost captured and reported. No reporting is necessary for 3253 and 3254 post docs who receive UC health insurance but do not receive a Form W-2 from UC.

Retirees who have covered domestic partners/same-sex spouses and receive a W-2 to report the imputed income will need to have any UC-paid health insurance cost captured and reported.

The aggregate cost reporting options that will be used to calculate and report the UC-sponsored health insurance coverage are:

CORE Medical will be calculated using the **modified COBRA method**. The employer contributions will be accumulated throughout the year so that they can be later used to calculate the total premium for the year.

- **Modified COBRA** – This method will be used if the employer either subsidizes the cost of COBRA coverage (so that individuals on COBRA pay less than the full amount that they could be charged for the coverage under COBRA) or uses the COBRA premium that applied for a prior year as the actual premium charged for COBRA coverage.

If the employer subsidizes the cost of COBRA coverage, the employer may determine the reportable cost based upon a reasonable good-faith estimate of the full COBRA premium for that period.

If the employer uses the COBRA premium that applied for a prior year as the actual premium charged for COBRA coverage, the employer also may use that prior year's COBRA premium as the reportable cost for the current year.

For all other plans, such as Health Net, Kaiser, etc., the **premium charged** method will be used.

- **Premium Charged Method** – For an insured group health plan, an employer may use the premium charged method to report the premium that the insurance carrier charges for the employee's type of coverage (e.g., self-only coverage, family coverage, etc.) on the Form W-2.

If an employee's coverage changes during the calendar year, the reportable cost under the plan for that employee must take into account the change in coverage by reflecting the different reportable costs for the coverage.

If an employee terminates during the calendar year, a determination will need to be made as to how to capture the health insurance cost.

1.9.2 Proposed changes to system inputs and outputs

None

1.10 Processing Considerations:

None

2 Scope and Estimate Section

2.1 Scope

➤ Small
Additional Scope Information: None

2.2 Assumptions

- There are no reporting requirements in this SR.
- The requirement in this SR is just to collect information to be reported on the January 2013 W-2 forms (for the 2012 tax year). W-2 reporting requirements will be addressed in a future SR.
- Core medical contributions will be accumulated. In the 2012 W-2 changes SR, these should be multiplied by 1.02 for reporting on the W-2.
- This request only addresses **base** GTNs. Any additional GTNs of this type that may exist in campus GTN tables will need to be addressed by the location.

2.3 Overview of Changes

The YTD parameter will be set on for all GTNs which represent medical contributions and deductions. This will cause the accumulation of year-to-date totals for these premiums.

2.4 Estimate

In initial phase, provide work hours/days. After requirements, this can be revised and dates added.

Task	Estimated Work Hours Based on Business Needs	Elapsed Time in Days*	New Estimate Based on Functional Requirements? (Enter new estimates if applicable)	New Estimate Based on Technical Spec? (Enter new estimates if applicable)	Actuals after completion
Requirements Gathering	2 hours	1 day			
Technical Specification Preparation	2 hours	1 day			
Mainframe Development	6 hours	1 day			
Web Development	n/a	n/a			
QA	4 hours	1 day			
User Acceptance Testing	6 hours	1 day			
Release Preparation	4 hours	1 day			
Installation in Production	20 hours	2 days			
Total	44 hours	10 days			

* Estimate Notes:

- Elapsed time total includes 2 weekend days.
- Requirements Gathering elapsed time allows time for document approval.

2.5 Time Dependencies

Final requirements needed: lead time of 2 weeks

2.6 Scope and Estimate Approval

2.6.1 Approval by IR&C QA Manager

Version	Date	Name
1.0	9/14/11	Mary Ann Gohl

2.6.2 Approval by IR&C Programming Manager

Version	Date	Name
1.0	9/14/11	Bob Franks

2.6.3 Approval by Hosted Applications Manager

Version	Date	Name
1.0	9/14/11	Christopher Scott

2.6.4 Approval by Requesting Department Manager

Version	Date	Name
1.0	9/27/11	John Barrett

3 Functional Requirements Section

3.1 Overview of Modifications

For this phase of the project, PPS modifications are limited to the GTN table changes that will allow the year-to-date employer contributions to be tracked starting in 2012. (Note that, on the employee side, the GTN table is already set up to accumulate year-to-date contributions.)

PPS modifications to display the health insurance costs on the W-2 will be included in the request for W-2 changes for the 2012 tax year.

- Control Table Updates: GTN table updates
- EDB Maintenance: None
- History (HDB, CDB) Process: None
- Compute Process: None
- Distribution of Expense: None
- Consolidated Billing and Self-Billing: None
- Merit/Range/ATB Processes: None
- Other Processes: None
- One-time Processes: None
- Interface Files: None
- Other Tax Processing: None
- CICS Screen/Web Page Modifications: None
- Online Help Modifications: None
- Reporting and Notification: None
- Forms: None

3.2 Control Table Updates

Req. ID	Requirement Type/Category	Requirement Description																																				
R001	Control Table	<p>Table 02 Gross To Net Table</p> <p>This information is in lieu of the UPAY 545 form. For the GTNs in the following list, the GTN table data should be modified as follows:</p> <p>A “Y” should be placed in position 35 of transaction 1. This will indicate that a year-to-date balance should be maintained for this GTN.</p> <table><tr><th>GTN</th><th>DESCRIPTION (PLAN)</th></tr><tr><td>-----</td><td>-----</td></tr><tr><td>303</td><td>ATHM PLUS CT (BC)</td></tr><tr><td>359</td><td>BC LU - CONT (BL)</td></tr><tr><td>305</td><td>ATHM PPO CT (BP)</td></tr><tr><td>311</td><td>CIGNA CON (CG)</td></tr><tr><td>309</td><td>CM(BC) CONT (CM)</td></tr><tr><td>337</td><td>HN B&G-CONT (HB)</td></tr><tr><td>313</td><td>HNET EPO CON (HE)</td></tr><tr><td>145</td><td>FHP HLTH CON (HG)</td></tr><tr><td>064</td><td>HLTH NET CON (HN)</td></tr><tr><td>049</td><td>KAISER NORTH (KN)</td></tr><tr><td>052</td><td>KAISER SOUTH (KS)</td></tr><tr><td>321</td><td>KAISER UMB (KU)</td></tr><tr><td>330</td><td>KAISER MDATL (KW)</td></tr><tr><td>626</td><td>PSBP MDHMOCN (P1)</td></tr><tr><td>628</td><td>PSBP MDPPOCN (P2)</td></tr><tr><td>316</td><td>WHA CONTRIB (WH)</td></tr></table> <p>Note: this list was produced by reporting all base GTNs that are not Inactive (STATUS not “I”), with a BEN TYPE of H and a blank YTD balance indicator.</p>	GTN	DESCRIPTION (PLAN)	-----	-----	303	ATHM PLUS CT (BC)	359	BC LU - CONT (BL)	305	ATHM PPO CT (BP)	311	CIGNA CON (CG)	309	CM(BC) CONT (CM)	337	HN B&G-CONT (HB)	313	HNET EPO CON (HE)	145	FHP HLTH CON (HG)	064	HLTH NET CON (HN)	049	KAISER NORTH (KN)	052	KAISER SOUTH (KS)	321	KAISER UMB (KU)	330	KAISER MDATL (KW)	626	PSBP MDHMOCN (P1)	628	PSBP MDPPOCN (P2)	316	WHA CONTRIB (WH)
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3.3 Functional Requirements Approval

Version	Date	Name
1.0	9/27/11	John Barrett

4 Revision History

Version	Date	Name	Description
1.0	9/1/2011	Marcia Johnson	1 st draft
1.1	9/13/2011	Maxine Gerber	<ul style="list-style-type: none">• Change under “proposed process” to indicate that the modified COBRA method will be used for CORE medical.• Completed Scope and Estimate
1.2	9/13/2011	Beth Burkart	Styles in Business Needs section
1.3	9/14/2011	Beth Burkart	Added Bob’s approval of estimate. Added Christopher’s estimate/approval. Added UAT estimate and QA estimate/approval.
1.4	9/19/2011	Beth Burkart	Updated estimate table headings.
1.5	9/20/2011	Beth Burkart	Started working on the functional requirements
1.6	9/21/2011	Beth Burkart	Functional Requirements, updated assumptions section.
1.7	9/27/2011	Beth Burkart	Added Requesting Dept. Mgr. approval. Removed draft watermark. Ready to post.