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New Permitted Election Changes for Premium Only Plans

The IRS has released Notice 2014-55 containing two additional permitted change rules for health coverage under Internal Revenue Code Section 125 Premium Only Plans (POP). These election change rules are welcome changes for many employers with non-calendar POP plan years and employees moving from full-time to part-time employment resulting in a reduction in hours.

These permitted election change rules allow employees to revoke their elections for the group health insurance premium and seek coverage elsewhere under certain conditions.

The effective date of this notice is September 18, 2014. To allow the new permitted election changes under this notice, your Premium Only Plan must be amended to provide for such election changes. The amendment must be adopted on or before the last day of the plan year in which the elections are allowed, and may be effective retroactively to the first day of that plan year. That means for a plan year that begins in 2014, an election may be changed at any time on or before the last day of the plan year that occurs in 2015. However, in no event may participant elections to revoke coverage be allowed to occur on a retroactive basis.

Notice 2014-55 requires a special amendment to your POP plan which is enclosed with this newsletter.

Election Change Due to Reduction of Hours

Employees are now allowed to change their elections under the Premium Only Plan during their period of coverage (the plan year) due to moving from full-time to part-time employment. If the move results in a reduction in hours, they may revoke their election if they are still eligible or ineligible for the group health plan coverage.

Conditions for revocation due to a reduction in hours of service:

- An employee who previously was reasonably expected to average at least 30 hours of service per week now is reasonably expected to average less than 30 hours of service per week, even if the reduction in hours does not result in the employee ceasing to be eligible under the group health plan; and
- The revocation of election from the group health plan corresponds to the intended enrollment of employee and spouse and dependents, if applicable, in another plan that provides minimum essential coverage with the new coverage effective no later than the first day of the second month following the month that includes the date the original coverage is revoked.



Election Change Due to Marketplace Enrollment

Participants may now revoke elections for employer health coverage during a Marketplace Open Enrollment period or a Marketplace "Special Enrollment Period." For instance, participants in non-calendar year premium only plans may switch from employer to Marketplace coverage with no double coverage or loss in coverage for the transition period. Here's another example. Participants who have a change in status event, such as marriage or birth, may not want to add new family members to their existing employer-provided coverage, but instead seek coverage for the family at the Marketplace.



Conditions for revocation due to enrollment in Marketplace Qualified Health Plan (QHP):

- Employee is eligible for a Special Enrollment Period to enroll in a QHP through a Marketplace or employee seeks to enroll in QHP through a Marketplace during the Marketplace's annual open enrollment period; and
- The revocation of election from the group health plan corresponds to the intended enrollment of employee and spouse and dependents, if applicable, in a QHP through the Marketplace for new coverage effective no later than the day immediately following the last day of the original coverage that is revoked.

In either situation, the plan can rely on the reasonable representation of an employee that the employee and spouse and dependents, if applicable, have enrolled or intend to enroll in another plan that meets the above requirements.

POP Kit Update Packet

Our system automatically sends a re-enrollment and plan document update packet before your new plan year begins. If you have not received your update packet, or have any questions, send us an email to EZPOP@wageworks.com or go to EZPOP.com and click on "Contact Us." Here's what to look for in your Re-Enrollment and Compliance Kit:

- Your annual procedures checklist includes a POP Compliance Confirmation Form. Detailed instructions help you complete each step to update your POP Kit.
- An amended Plan Document and Summary Plan Description are printed with current plan year information.
- New election forms have the plan year clearly printed at the top of each page.
- Annual nondiscrimination testing is vital to maintaining employer and employee tax savings. If your plan fails the annual nondiscrimination tests, you could be forced to repay tax savings, plus penalties and interest. We've made it simple to comply with this IRS law. Analyzing just one payroll report can usually complete your annual nondiscrimination tests.
- The "Maintaining Your Plan" section explains qualified benefits, new compliance issues, IRS audit requirements, and how to contact us.
- The Compliance Package also contains relevant IRS Code Sections and Regulations. Although you probably don't want to read every word, you may contact us if you have questions.



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