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## A Startup Blueprint for HR and Insurance

You've recruited, interviewed and identified the ideal professionals to fill open positions within your growing business. Job offers have been extended and accepted. Now what? *Here are some mandatory actions you must take as an employer to satisfy the Internal Revenue Service (IRS), Social Security Administration (SSA) and federal government.*

1) **Obtain an Employer Identification Number (EIN)** by applying with the IRS on its website, [www.irs.gov](http://www.irs.gov), or by calling 1-800-829-4933.

2) **Set Up Records for Withholding Taxes.** There are three types of withholding taxes, which must be kept on file for at least four years.

- Federal Income Tax Withholding (Form W-4), to be completed by the employee on or before the start date.
- Federal Wage and Tax Statement (Form W-2), to be completed by the employer annually. Copy A of the W-2 must be sent to the SSA by the last day of February. Copies of the W-2 must be sent to employees by January 31.
- State taxes. If you have an office in Connecticut or transact business within this state and are considered an employer for federal tax purposes, you must withhold Connecticut state tax.

3) **Employee Eligibility Verification.** Within three days of hiring, your new employees must complete Form I-9, a federal form used for verifying their identity and employment authorization. On the form, an employee must attest to his or her employment authorization. The employee must also present acceptable documents as proof of identity. The list of acceptable documents is found on the last page of Form I-9. As the employer, you must determine whether the document(s) appear to be genuine and record the document information on the form. You are required to maintain an I-9 file separate from other employee files, and keep a separate file of I-9 forms for employees who are no longer employed. These files must be maintained for three years from date of hire or one year post termination of employment, whichever is longer.

4) **Register with Your State's New Hire Reporting Program.** All employers are required to report newly hired and rehired employees to a state directory within 20 days.

5) **Obtain Worker's Compensation Insurance.** All businesses with employees are required to carry worker's compensation insurance coverage. This can be done on a self-insured basis (rare for a startup and not recommended) or through the state's worker's compensation insurance program.

6) **Posting of Required Notices.** Employers are required to display federal and state employment-related posters that inform employees of

their rights as well as employer responsibilities, such as minimum wage. Posters should be displayed in a place readily assessable to all employees.

7) **Filing Your Payroll Taxes.** Employers who pay wages that are subject to withholding for income, Social Security and Medicare taxes must file Form 041 with the IRS.

If these requirements seem overwhelming, a human resource consultant who specializes in this area can help you through the process. While it is exciting to begin building your staff, the complexity and related penalties for mistakes can be significant. Taking proactive measures can help avoid such risk.

## **Employee Benefits: Keep Your Company Competitive**

Employee health and welfare benefits are a vital component of an organization's total compensation package. Organizations should seek creative ideas when building their benefits packages to retain and attract the best talent, meet the needs of a diverse demographic and balance corporate objectives. Being cognizant of industry competition is also vital in positioning your company as an attractive place to work. Start with these steps to build your benefits package:

- With an internal team, discuss your business's major initiatives (corporate and benefits-related) for the year and document them in a formal work plan.
- Consider the cost and design of those initiatives.
- Conduct industry-specific benchmarking to compare your benefits with those offered by similar companies.
- Design a customized benefits plan suited to your firm's needs, budget and business dynamics.
- Find a trusted partner to identify appropriate products and carriers and negotiate all applicable lines of coverage on your behalf.

As your organization grows, you may also need to consider implementing a system to help you manage and measure claims data. The majority of your claims will likely come from a minority of your population. Analyzing claims data and creating customized claims reports will allow you to measure risk in different areas, which will in turn allow you to mitigate catastrophic financial burdens.

### **Property and Casualty: Protect Your Assets**

Once your employees are covered, you'll need to think about obtaining property and casualty insurance. Contractual obligations between potential customers, suppliers, landlords or your bank requiring either liability or property coverage will determine the initial insurance. Here are items to consider:

- Property coverage for computers, contents, furniture and fixtures.
- Insurance requirements for leases.
- Listing lenders on the property policy as loss payees.
- Directors and officers (D&O) liability insurance for venture capital and private equity investors.
- Errors and omissions (E&O) insurance.

## **The Affordable Care Act: How It Affects Employers**

The Affordable Care Act (ACA) represents one of the largest overhauls of the American healthcare system since the passage of Medicare and Medicaid. The ACA has far-reaching implications for all employers, but the most significant impact is on employers with more than 50 full-time employees. For such employers, the ACA adds 3–5% to normal healthcare premiums.

There are numerous reporting requirements and tax obligations (listed below) associated with the ACA. Organizations should consider seeking assistance to ensure compliance.

### Annual and Employee Retirement Income Security Act (ERISA) Notices and Reporting

- ✓ COBRA Initial Rights Notice: Updated for HIX information
- ✓ HIPAA Privacy Notice
- ✓ HIPAA Special Enrollment Notice

- ✓ Women's Health and Cancer Rights Act
- ✓ CHIPRA Notice
- ✓ Market Place Notice
- ✓ Summary of Benefits and Coverage
- ✓ Creditable Coverage Medicare Part D Notice
- ✓ Grandfathered Notice (if applicable)
- ✓ Summary Plan Description
- ✓ Annual 5500 (plans with 100 participants)
- ✓ FMLA Federal and State Rules
- ✓ Creditable Coverage Reminders, Notices and Disclosure Filing
- ✓ Imputed Income for Group Term Life and Tax Choice Disability Plans
- ✓ The 90-Day Enrollment Waiting Period Limitation
- ✓ HRA and HSA Funding Limits
- ✓ IRS Reporting Under ACA: Section 6055
  - Insurance companies or self-insured plans must report MEC plan information to:
    - IRS
    - Each individual enrolled in the MEC plan
  - Entities that must report:
    - Insurance companies – Form 1095B
    - Small self-insured plans not covered under 4980H – Form 1095B
    - Large self-insured plans – Form 1095C

## Taxes and Fees

- ✓ Patient-Centered Outcomes Research Trust Fund (PCORI) Tax
  - Effective 2013–2019
  - Insured plans: The insurance company will pay the \$2 tax and pass back to plan sponsor.
  - Due every July 31 until 2018–2019
- ✓ Reinsurance Fee
  - Effective 2014–2016
  - Applies to both insured and self-insured medical plans.
  - In 2014, the United States Department of Health and Human services set the amount at \$5.25 per enrolled member per month, paid by the insurance company.
- ✓ Health Insurance Tax (HIT) Industry Fee
  - Applies only to insured plans
  - Planned as a permanent tax
  - 2–2.5% in 2014, based on 2013 data
  - 3–4% thereafter

This document is a useful guide through the basic steps of mandatory reporting to federal agencies, building effective employee benefits packages and understanding the implications of the Affordable Care Act. However, due to the complexity of ever-changing regulations, you'll also want to consult experts to ensure compliance and to better position your organization as a desired employer.

## About the Author



**Greg Fenn** is a senior consultant at [CBP](#). Greg has a passion for delivering a world-class client experience while driving efficiency and developing synergies among employees and vendors. He continually strives to understand what will make his clients successful, then, along with his team, collaboratively develops the long-term strategic vision for CBP. A veteran of the healthcare services arena, Greg focuses on strategic planning, client relationships, creating value-based processes, driving revenue and extending the overall business model through strategic partnerships. You can contact him at (800) 963-3771 or [gfenn@cbp.com](mailto:gfenn@cbp.com).

Note: Insights from Chris Samulowitz, CEO and founder of the consulting firm MRC Corporation, are included in a portion of Greg's article.