



**TOLMAN & WIKER**  
**INSURANCE SERVICES, LLC**

INNOVATIVE RISK ADVICE SINCE 1923™

VENTURA | LOS ANGELES | SALINAS | SANTA MARIA | BAKERSFIELD

## IRS Allows Just One Wellness Incentive In Calculating Affordability

February, 2014

Benefits Pro

Most wellness plan incentives — except for that old standard, **smoking cessation** — won't count towards the IRS's determination of whether an employee has been offered "affordable coverage" as defined by the Patient Protection and Affordable Care Act.

The agency's stance — the final iteration of preliminary regulations generated in response to Obamacare — puts the IRS squarely at odds with wellness plan advocates.

The IRS is charged with calculating whether an employee can reasonably afford the health plan offered at work. An "unaffordable" premium is defined under the law as greater than 8 percent of household income. One factor that the IRS was willing to consider in its affordability equation was whether an employee received an incentive, in the form of a premium deduction or "bonus," for taking advantage of a tobacco cessation program. That amount would be subtracted from the company plan premium in determining affordability. In other words, it would help more employees qualify for the company plan and avoid the penalty.

Wellness plan advocates had lobbied the IRS to consider more wellness incentives, such as obesity, fitness and mental health programs. They argued that this would encourage employers to offer more such programs and encourage more employees to engage in them.

In July, the ERISA Industry Committee **wrote to the IRS**, asking it to include more incentives in the calculation. With the publication of the final rules this week, they got their answer: Sorry, but no.

Essentially, then, the IRS will add back into an employee's share of premium costs any deductions approved by the employer that do not related to tobacco-cessation. From a wellness program employee/user standpoint, this removes one more incentive that may have motivated some employees to get engaged in wellness programs. Perhaps worse is the IRS's implied assumption that employees often get credited for participation when they don't participate.

Writing for the Health Affairs blog, Timothy Jost explained the ruling's impact: "Wellness program incentives that do not relate to tobacco use are treated as not earned. That is to say, if the employee's premium would be reduced if the employee participated in a tobacco-cessation program, the affordability of the coverage is determined by assuming the employee participates. For other wellness programs, however, affordability is determined by assuming the employee does not participate and thus does not earn the incentive, so that an employee does not have to pay the tax penalty simply for not participating in a wellness program."

© 2014 BenefitsPro. A [Summit Professional Networks](#) publication.

[Return to Article Index](#)

**Forward this article to a colleague**

Address To	<input type="text"/>	Recipient Name	<input type="text"/>
------------	----------------------	----------------	----------------------

Subject

Message