



update

Compliance News for Multiemployer Plans

November 12, 2015

Bipartisan Budget Act of 2015 Affects Health Benefits and Retirement Plans

On November 2, 2015, President Obama signed into law the Bipartisan Budget Act of 2015 (Act).¹ The Act includes a two-year budget agreement that raises the debt limit until March 15, 2017, sets the federal government budget levels for fiscal 2016 and 2017 and raises spending caps for both defense and nondefense spending. In addition to numerous other provisions, it also adjusts the 2016 Medicare Part B premium and repeals the Affordable Care Act's auto-enrollment rule.² The spending increases incorporated in various provisions of the Act are paid for (in budget terms) in part by changes to retirement plan rules. This *Update* discusses the health benefit and retirement plan provisions.



New Law Highlights:

- Medicare premiums are adjusted.
- The Affordable Care Act's auto-enrollment requirement is repealed.

Health Benefit Provisions

The Act makes changes to Medicare and the Affordable Care Act.

Medicare Premiums for 2016

The Act adjusts the Medicare Part B premium because about 30 percent of Medicare beneficiaries were scheduled to face a significant premium hike in 2016 (from \$104.90 per month to \$159.30 per month). Under current law, most Medicare beneficiaries are "held harmless" from Part B premium increases when there is no increase in Social Security payments (as is the case for 2016), so their premium will remain at the current rate of \$104.90. For those who are not "held harmless" (because they do not have their Part B premiums withheld from Social Security and their Part B premiums are paid some other way, such as by Medicaid, or they are high-income beneficiaries or new enrollees), the Act sets a new 2016 Part B premium at \$120.00 instead of \$159.30. However, to make up the shortfall from a lower premium increase for those paying an increase, the general Treasury will loan money to the Supplemental Medical Insurance Trust Fund. Consequently, Medicare beneficiaries who would have to pay \$120.00 will pay an additional monthly surcharge until the loan is repaid. On November 10, 2015, the Centers for Medicare & Medicaid Services (CMS) announced that the basic surcharge will be \$1.80 for 2016, making the Part B premium for this group \$121.80 for 2016.

¹ When the Bipartisan Budget Act of 2015 (Public Law 114-74) is available online, it will be accessible from the [Government Publishing Office website](#).

² The Affordable Care Act is the shorthand name for the Patient Protection and Affordable Care Act (PPACA), Public Law No. 111-48, as modified by the subsequently enacted Health Care and Education Reconciliation Act (HCERA), Public Law No. 111-152.

For high-income Medicare beneficiaries whose income exceeds \$85,000 (\$170,000 for married couples filing a joint income tax return), the amount of the surcharge will be higher.³ If there is no Social Security cost-of-living adjustment in 2017, the Act will repeat this process.

Repeal of the Affordable Care Act's Auto-Enrollment Rule

The Affordable Care Act amended the Fair Labor Standards Act to require employers with more than 200 employees to automatically enroll new full-time equivalents into one of the employer's health plans, and to automatically continue enrollment of current employees. Implementation of the provision has been indefinitely delayed by the Department of Labor, and many commentators had raised concerns as to whether it was administratively feasible. The Act repeals the auto-enrollment rule in its entirety.

Retirement Plan Provisions

In order to help pay for the budget agreement, Medicare Part B premium adjustment and other spending provisions, the Act also includes a number of changes, all treated as revenue-raisers for Congressional budgeting purposes, that, with one exception noted below, affect only single-employer defined benefit pension plans.⁴

Implications for Plan Sponsors

For plan sponsors that provide retiree health, the 2016 Medicare premiums and deductibles will be addressed in a separate *Update*. While it is unclear whether the Affordable Care Act's auto-enrollment requirements would have affected multiemployer plans directly, trustees no longer need to be concerned now that the requirements are repealed.

³ The Medicare premiums for high-income beneficiaries were [published on November 10, 2015](#), and will be addressed in a separate *Update*.

⁴ The one provision that affects multiemployer plans accelerates all Pension Benefit Guaranty Corporation (PBGC) premium payments (including multiemployer premium payments) by one month for the 2025 plan year (only) so that, under the budget rules, the 2025 premium revenue is included to help pay for the other changes. It is quite possible that this provision will be undone in future legislation when accelerated payment is no longer necessary to ensure that the 2025 revenue is included. The single employer plan changes increase both flat- and variable-rate PBGC premiums each year for 2017 through 2019, allow increased use of substitute mortality tables and extend the applicability of favorable funding stabilization interest rates for three additional years.

Update is Segal Consulting's electronic newsletter summarizing compliance news. *Update* is for informational purposes only and should not be construed as legal advice. It is not intended to provide guidance on current laws or pending legislation. On all issues involving the interpretation or application of laws and regulations, trustees should rely on their fund counsel for legal advice.



If you would like additional information about this news, please contact your Segal consultant or the [Segal office nearest you](#). Segal can be retained to work with trustees and their fund counsel on compliance issues.

To receive *Update* and other Segal publications, [join our weekly email list](#).

Segal Consulting is a member of [The Segal Group](#).