



Determining a Health Plan's Plan Year

Employer-sponsored health plans are subject to a variety of compliance requirements under federal law. Some of these requirements are linked to a health plan's "plan year." For example:

- Health plan sponsors that provide prescription drug coverage to Medicare Part D eligible individuals must provide a disclosure notice to the Centers for Medicare & Medicaid Services (CMS) on an annual basis, within 60 days after the beginning of the plan year.
- If a health plan is required to file a Form 5500, the deadline (without extensions) is the last day of the seventh month following the end of the plan year. • New legal requirements relating to health plans often take effect based on the plan year. For example, the cost-of-living adjustments for high deductible health plans (HDHPs) take effect at the beginning of each plan year.

It is important for an employer to identify its health plan's "plan year" for purposes of monitoring its compliance obligations under federal laws. Also, a health plan's summary plan description (SPD) must identify the plan year and the plan year must be included in the plan's Form 5500 (if applicable).

LINKS AND RESOURCES

- [Federal regulations](#) that include information on how to determine a health plan's plan year
- [Reporting and Disclosure Guide for Employee Benefit Plans](#) (a Department of Labor publication)

"Plan Year" Definition

- ERISA defines "plan year" as the calendar, policy or fiscal year on which the records of the plan are kept.
- Although short plan years are allowed in some limited situations, a plan year is generally the 12-month period that was established when the health plan became effective.

Plan Year Determination

- If the plan document does not designate a plan year, federal regulations describe steps that a plan sponsor should take to determine the plan year.
- These steps include reviewing the plan's deductible or limit year and the plan's policy year.

Plan Year Overview

Section 3(39) of ERISA defines "plan year" as the calendar, policy or fiscal year on which the records of the plan are kept. Although short plan years are allowed in some limited situations, a plan year is generally the 12-month period that was established when the health plan became effective.

Many employers operate their health plans on a calendar year basis, from Jan. 1 through Dec. 31 of each year. Other employers operate their plans on a non-calendar year basis, which may be consistent with the company's taxable year or with an insured plan's policy year.

Identifying the Plan Year

To determine a health plan's plan year, an employer should first review the documents governing the plan. ERISA requires a health plan's summary plan description (SPD) to specify the plan year. Also, for a plan that files a Form 5500, the plan year is disclosed on the form.

If the plan document does not designate a plan year or if there is no plan document, [federal regulations](#) issued under HIPAA (and amended pursuant to the ACA) provide guidance on determining the plan year:

- The plan year is the **deductible or limit year** used under the plan;
- If the plan does not impose deductibles or limits on a yearly basis, the plan year is the **policy year**;
- If the plan does not impose deductibles or limits on a yearly basis, and either the plan is not insured or the insurance policy is not renewed on an annual basis, the plan year is the **employer's taxable year**; or
- In any other case, the plan year is the **calendar year**.

Thus, if an insured plan is not required to file a Form 5500 or is not required to have (or has failed to prepare) an SPD, the plan year will generally be the policy year, presuming that the plan is administered based on that policy year. However, if the plan's deductible is administered on a basis other than the policy year (for example, the calendar year), the plan year will be the year used for administering the deductible.

Plan sponsors should take care to appropriately document their plans and their plan years to avoid any questions regarding compliance with plan year requirements.

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