

COMPLIANCE ALERT

DOL REVEALS HIGHER HEALTH PLAN VIOLATION PENALTIES

February 1, 2020

QUICK FACTS

- The U.S. Department of Labor (DOL) recently issued its annual inflation-adjusted penalty amounts for certain Employee Retirement Income Security Act (ERISA) violations.
- The adjusted amounts are intended to create greater incentives to comply with certain federal laws applicable to health and welfare benefit plans.
- Federal agencies, including the DOL, are required to annually adjust by January 15 the penalties that can be assessed for violating laws and regulations they enforce.
- The 2020 adjustments are effective for penalties assessed after January 15, 2020, with respect to violations occurring after November 2, 2015.

BACKGROUND

Legislation enacted in 2015 requires federal agencies to adjust for inflation certain penalty amounts by January 15 of each year to create greater incentives for plan sponsors to comply with their health and welfare benefit plan obligations. The law specifically requires the DOL to adjust penalties applicable to health and welfare benefit plans that the agency regulates under ERISA.

This past month, the DOL issued adjusted amounts – as shown in the table on the following pages – for penalties assessed after January 15, 2020, with respect to violations occurring after November 2, 2015.

ACTION STEPS

Employers should review their health plans to ensure compliance with ERISA's requirements in order to avoid penalties. For example, employers should make sure they are complying with ERISA's reporting and disclosure rules, including Form 5500, annual CHIP notice and SBC requirements.

COMPLIANCE ALERT

ADJUSTMENTS FOR 2020

The increased amounts shown below apply to penalties assessed after January 15, 2020.

REQUIREMENT	2019 ADJUSTED PENALTY AMOUNTS	2020 ADJUSTED PENALTY AMOUNTS
Failure or refusal to file an annual report (Form 5500) with the DOL (unless a filing exemption applies)	Up to \$2,194 per day	Up to \$2,233 per day
Failure of a multiple employer welfare arrangement (MEWA) to file an annual report (Form M-1) with the DOL	Up to \$1,597 per day	Up to \$1,625 per day
Failure to furnish plan-related information requested by the DOL *Under ERISA, administrators of employee benefit plans must furnish to the DOL any documents relating to the employee benefit plan upon request	Up to \$156 per day, not to exceed \$1,566 per request	Up to \$159 per day, not to exceed \$1,594 per request
Failure to provide the annual notice regarding Children's Health Insurance Program (CHIP) coverage opportunities *This notice applies to employers with group health plans that cover residents of states that provide a premium assistance subsidy under CHIP	Up to \$117 per day per employee	Up to \$119 per day per employee
Failure to timely disclose information to a state regarding group health plan coverage of an individual who is covered under a Medicaid or CHIP plan	Up to \$117 per day per participant or beneficiary	Up to \$119 per day per participant or beneficiary

COMPLIANCE ALERT

REQUIREMENT	2019 ADJUSTED PENALTY AMOUNTS	2020 ADJUSTED PENALTY AMOUNTS
<p>Failure by any health plan sponsor (or any health insurance issuer offering health insurance coverage in connection with the plan) to comply with the requirements of the Genetic Information Nondiscrimination Act (GINA) for health plans</p>	<p>\$117 per day per participant or beneficiary during noncompliance period</p> <ul style="list-style-type: none"> ▪ Minimum penalty of \$2,919 per participant or beneficiary for de minimis failures not corrected prior to notice from the DOL ▪ Minimum penalty of \$17,515 per participant or beneficiary for failures which are not corrected prior to notice from the DOL and are not de minimis ▪ \$583,830 cap on unintentional failures 	<p>\$119 per day per participant or beneficiary during noncompliance period</p> <ul style="list-style-type: none"> ▪ Minimum penalty of \$2,970 per participant or beneficiary for de minimis failures not corrected prior to notice from the DOL ▪ Minimum penalty of \$17,824 per participant or beneficiary for failures which are not corrected prior to notice from the DOL and are not de minimis ▪ \$594,129 cap on unintentional failures
<p>Failure to provide Summary of Benefits and Coverage (SBC)</p>	<p>Up to \$1,156 per failure to provide the SBC</p>	<p>Up to \$1,176 per failure to provide the SBC</p>

EPIC Employee Benefits Compliance Services

For further information on this or any other topics, please contact your EPIC benefits consulting team.

EPIC offers this material for general information only. EPIC does not intend this material to be, nor may any person receiving this information construe or rely on this material as, tax or legal advice. The matters addressed in this document and any related discussions or correspondence should be reviewed and discussed with legal counsel prior to acting or relying on these materials.