

Understanding the Reporting Requirements under the Affordable Care Act

Form 1095-B or Form 1095-C is required for businesses offering minimum essential health coverage to be distributed to their employees. Form 1094-B or Form 1095-C is also required which is a transmission form to the IRS which accompanies copies of Form 1095-B or 1095-C. For businesses with less than 50 full-time equivalent employees (small employers) offering health insurance is optional. For businesses with more than 50 full-time equivalent employees (large employers) offering health insurance is mandatory. The business will be responsible for good record keeping in order to provide the detail needed to complete these forms. Failure to offer affordable minimum value health insurance to employees and their dependents (up to age 26) will result in penalties.

- For businesses with less than 50 full-time equivalent employees (small employers), with self-insured group plans (business pays for medical claims), **the business** is responsible for filing form 1095-B and for each employee and employee family members covered by the plan.
- For businesses with less than 50 full-time equivalent employees (small employers), with fully insured group plans, **the insurance company** offering health coverage is responsible for filing form 1095-B for each employee and employee family members covered by the plan.
- For businesses with more than 50 full-time equivalent employees (large employers), **the business** must file Form 1095-C for each employee who was a full-time employee for any month of the calendar year regardless of whether the employee is participating in a group health plan. Employers will be subject to **penalties of up to \$500 per return** for failing to file the returns or furnish the statement to employees.
 - Form 1095-C requires the business to determine who is a full-time equivalent employee. An employee who works at least 120 hours during a calendar month is considered a full time employee (FTE). If an employer had at least 50 full time employees (FTE's) during the preceding calendar year then the employer is considered a large employer. The total number of hours worked by an employee who works fewer than 120 hours is used to calculate the number of FTE employees. The FTE value is calculated by dividing the total monthly hours of service for employees who are not full time employees by 120 hours. There are additional considerations for employees with seasonal, breaks in employment and other employee issues.
 - Businesses could be in a controlled or affiliated service group that if combined would have at least 50 FTE's if they have common owners, provide services for each other or work together to provide services to third parties.
 - For each FTE the business needs to disclose by calendar month the type of health coverage offered (or if no coverage was offered) to the employee, the employee's spouse and dependents.
 - Large employers may be subject to monthly penalties if the business does not offer minimum essential coverage to at least 95% of its FTE's and if at least one FTE enrolls in coverage through the Marketplace. The health insurance offered must be affordable and provide minimum value. Penalties can be \$2,000-\$3,000 (1/12 of that for any month insurance was not offered) per full time employee (excluding first 80 employees in 2015, after that – the first 30 employees).

- An affordable plan means that each employee must be tested to ensure the cost to the employee does not exceed 9.5% of employee's household income. Because employers cannot easily determine an employee's household income, there are 3 safe harbor tests: W-2 Wages, Rate of Pay and Federal Poverty Line. These calculations require the business to test each employee's cost and must apply the selected test in a uniform and consistent basis.
- Minimum value means that the health insurance plan would pay for at least 60% of medical expenses on average for a standard population. The Department of Health and Human Services (HHS) has released a minimum value calculator for employers to test their plans. There is also a safe harbor checklist that plans can use to ensure they meet minimum value.

Forms 1095-B and 1095-C are due to the employee by **January 31**. Forms 1095-B and 1095-C and the transmittal forms (Form 1094-B and 1094-C) are due to the IRS on **February 28** if paper filed and **March 31** if electronically filed.

What Employers will need to file form 1095-C

- Employee's name, address and social security number
- Employee's spouse and dependents name, address and social security number if covered under the plan
- Employer's name, address and employer identification number
- Whether the employee and family members were offered health coverage each month that met the minimum value standard
- Each month the employee was enrolled in health coverage
- The employee's share of the monthly premium for the health coverage offered
- Whether the employee was a full time employee or a FTE each month
- The affordability safe harbor calculation for each employee
- Whether the employee was enrolled in the health plan, offered insurance or opted out of coverage

What Employers will need to file form 1094-C

- Employer's name, address, employer identification number and contact person
- Total number of Forms 1095-C filed
- Information by month that the employer offered its FTE's (and their dependents) the opportunity to enroll in minimum health coverage
- Number of FTE's for each month of the calendar year
- Total number of employees for each month
- Names and employer identification numbers of other employers in a controlled group or affiliated service group if applicable
- Whether employer is eligible for certain transition relief