



AVOIDING THE PITFALLS

Most Common ACA Reporting Mistakes

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Incorrect medical coverage and payroll data

Employees Demographic Data: New implementations should include *any* employee active during the ACA reporting year even if they terminate later in that same year.

**Required Employee Census Information:
Active AND Separated Employees**

ACA reporting requires all FT employees who worked for the employer to (1) receive a 1095-C form and (2) be reported to the IRS before the published deadlines. The employer would need to include *all* full-time employees who received a paycheck in the current ACA reporting year for at least one pay period as part of the census loaded into the case. *It doesn't matter whether the employee was enrolled in health coverage.*

Example: **Jane Smith** worked for the company during 2018 but left in late January 2019 would need to be provided in the census file. Since new case builds often take place mid-calendar year, many terminated employees could likely drop off as part of the transition in census data. It is important that employees active *anytime* during the current ACA reporting year be included regardless of a subsequent termination.

Employees Medical Benefit Coverage: New implementations should always request historical medical benefit coverage information from the Medical carrier(s). This is to ensure all historical coverage, including any potential Life Events, are captured for employees for the current ACA reporting year.

Best Practice: Calendar Year Plans (Jan 1st) Benefit data should include complete transactional (Life Event) activity for medical.

Example:

Jane Johnson: Medical EE + Sp effective as of: 1/1/20xx – 05/31/20xx

Jane Johnson: Medical Emp Only effective as of: 6/1/20xx – current [Life Event: Divorce]

Employee SSN	Employee	EID	Location	Coverage Number	Plan name	Product name	Coverage Tier	Effective Date	Termination Date
123-45-46789	Jane Johnson	1234	Company A	100001	Example Plan A	Medical	ES	1/1/20xx	05/31/20xx
123-45-46789	Jane Johnson	1234	Company A	100002	Example Plan A	Medical	EO	06/01/20xx	

Best Practice: Non-Calendar Year plans (Sept 1st) Benefit data should include coverage for prior *AND* current benefit plan years to capture entire *calendar year* activity along with transactional (Life Event) activity.

Example: TY2019

John Smith: Medical Only prior plan year effective as of: 9/1/2018 – 08/30/2019

John Smith: Medical Only for new plan year effective as of: 9/1/2019 – current [Event: Open Enrollment]

Employee SSN	Employee	EID	Location	Coverage Number	Plan name	Product name	Coverage Tier	Effective Date	Termination Date
601-45-45678	John Smith	3333	Company A	120001	Example Plan A	Medical	EO	9/1/2018	8/30/2019
601-45-45678	John Smith	3333	Company A	120002	Example Plan A	Medical	EO	9/1/2019	

Or

Sarah Jones: Medical Only Effective 9/1/2018 – 6/30/19

Sarah Jones: Medical EE + Sp Effective 7/1/2019 – 8/30/2019 [Life Event: Marriage]

Sarah Jones: Medical EE+ Family Effective 9/1/2019 – current [Event: Open Enrollment]

Employee SSN	Employee	EID	Location	Coverage Number	Plan name	Product name	Coverage Tier	Effective Date	Termination Date
527-45-45678	Sarah Jones	5455	Company A	130001	Example Plan A	Medical	EO	9/1/2018	6/30/2019
527-45-45678	Sarah Jones	5455	Company A	130002	Example Plan A	Medical	ES	7/1/2019	8/30/2019
527-45-45678	Sarah Jones	5455	Company A	130003	Example Plan A	Medical	FAM	9/1/2019	



Not understanding who should receive a Form 1095-C

For which employees must an ALE Member file Form 1095-C?

Generally, an Applicable Large Employer (ALE) Member must file Form 1095-C for each employee who was a full-time employee of the ALE Member for any month of the calendar year. Include any employee who was treated as a full-time employee for one or more months of the calendar year under the look-back measurement method for determining full-time employee status under the employer shared responsibility provisions. For guidance on how to determine who is a full-time employee, including rules on the lookback measurement method, see section #4.

In addition, an ALE Member that sponsors a *self-insured* health plan uses Form 1095-C to report enrollment information for individuals who were *not* employees on any day of the calendar year. The *non-employees* who are enrolled in coverage might include a former employee receiving **COBRA** continuation coverage who terminated employment in a previous calendar year, a **retired** employee who terminated employment in a previous calendar year, or a family member (including a surviving spouse or dependent) of such an individual if the family member is receiving coverage independent of the individual, such as by electing individual COBRA continuation coverage. All family members of an individual who are covered individuals due to that individual's enrollment (for instance, a spouse of a retiree who is enrolled in the plan because the retiree elected self plus spousal coverage) should be included on the same Form 1095-C as the individual who enrolls in the coverage.



An ALE Member must file one or more Form 1094-C and must file a Form 1095-C for each employee who was a full-time employee of the ALE Member for any month of the **calendar year**.

For which employees is an ALE Member not required to file or furnish a Form 1095-C?

A Form 1095-C is not required for the following employees (unless the employee or the employee's family member was enrolled in a self-insured plan sponsored by an ALE Member such as COBRA or Retiree):

- an employee who was not a full-time employee in any month of the year; or
- an employee who was in a limited non-assessment period for all 12 months of the year (for example, a new variable hour employee still in an initial measurement period).



Filing companies under one EIN to the IRS vs. by unique EIN

Reminder, each Employer Identification Number (EIN) will report using their own 1094 and the appropriate 1095s will be filed under that EIN. Each employer has its own reporting obligations and must file separate forms for each EIN. If the employer was a member of an Aggregated ALE Group, they will need to list all members within the Aggregated ALE Group on Part IV of the 1094-C.



The IRS expects ALE's with multiple locations to complete the required tax year forms and filing for each unique EIN.

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Incorrect or non-existent tracking of part-time/variable hour employee hours

The Basics: ACA Compliance Requirements

The IRS has provided employers with two different methods for determining if an employee should be designated full-time under the ACA: **Monthly Measurement Method** and **Lookback Measurement Method**

Full-time vs. Part-time as defined by the IRS

- **Full-time Employee:** an employee who is expected to work on average at least 30 hours of service per week or at least 130 hours per month.
- **Part-time (variable hour) Employee:** an employee who is not *reasonably* expected to average at least 30 hours of service per week.

Monthly Measurement Method: this method is often used for organizations whose workforce is primarily full-time with a limited number of part-times employees. This method is not based on averaging hours of service over a prior period but involves a month-to-month analysis for each calendar month. Employee status is based on whether he or she averaged a minimum of 130 hours of service per month.

Lookback Measurement Method: under this method, an employer looks back over a defined period (known as the measurement or “lookback” period) to determine if the employee averaged at least 30 hours of service per week. This method is intended to give employers flexible and workable options and greater predictability for determining full-time employee status. The Lookback Method is comprised of:

- A Measurement Period for counting hours of service;
- An Administrative Period that allows time to analyze the hours of service;
- A Stability Period when coverage may need to be provided.

IRS Regulations define an hour of service to mean: Each hour for which an employee is paid, or entitled to payment, for the performance of duties for the employer, and each hour for which an employee is paid, or entitled to payment by the employer for a period of time during which no duties are performed due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence.

During the **Measurement Period**, the employer tracks employees’ hours of service. During the **Administrative Period**, the employer determines who was full-time, notifies them and offers coverage. During the **Stability Period**, the employer should offer coverage to employees who were full-time during the Measurement Period.

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Incorrect costs on Line 15 of the 1095-C Form

How is the amount of the Employee Required Contribution reported on line 15 of Form 1095-C computed?

An amount is entered on line 15 only if the Offer of Coverage reported on line 14 includes an offer of minimum value coverage to the employee. In that case, the Employee Required Contribution is the employee's share of the monthly cost for the lowest-cost self-only minimum essential coverage providing minimum value offered to the employee by the ALE Member. The Employee Required Contribution may not be the same amount as the premium the employee pays for coverage if, for example, the employee chooses to enroll in more expensive coverage, such as family coverage.

A "**Qualifying Offer**" is an offer that satisfies all of the following criteria and is identified under Line 14 with the 1A code:

- It is an offer of minimum essential coverage that provides minimum value;
- The employee cost for employee-only coverage for each month does not exceed 9.86% for 2019 (as adjusted) of the mainland single federal poverty line divided by 12 (\$99.75 for 2019); and
- An offer of minimum essential coverage is also made to the employee's spouse



When an employee receives a Qualifying Offer using code 1A under Line 14, no entry is required in line 15.

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Misunderstanding how the 1095-C Form codes should be applied

The IRS has created two sets of ACA codes to provide employers with a consistent way to describe their medical benefit offering to their employees. Each code indicates a different scenario regarding an *offer of coverage* or explains why an employer should not be subject to a penalty for each month.

Forms 1095-C: Line 14 – Code Series 1

Code Series 1 is used for Line 14 of the Form 1095-C and addresses:

- Whether an individual who was offered coverage
- What type of coverage was offered
- Which month that coverage was offered

If an employee is benefit eligible in any month during the calendar year, then line 14 should include a value for each month, even during months where an employee is not/no longer employed. An *offer of coverage* is one that provides coverage for **every day** of a calendar month. There is an exception for terminated employees who would have been covered for the entire month, if not for the termination.

Forms 1095-C: Line 16 – Code Series 2

Code Series 2 is used for Line 16 of the Form 1095-C and addresses:

- Whether an individual was employed and, if so, whether he or she was full-time or part-time
- Whether or not the employee was enrolled in coverage
- Whether the coverage was affordable and, if so, which IRS safe harbor was offered



Failing to accurately report COBRA participants or Retirees

Self-insured ALEs have additional 1095-C reporting requirements beyond those required of insured ALEs, including the reporting of individuals covered through COBRA, even if the COBRA event occurred in a prior calendar year.

A self-insured Applicable Large Employer (ALE) is responsible to provide a Form 1095-C to any employee that is enrolled in the self-insured group health plan, even if not a full-time employee, including through COBRA. In addition, the ALE is responsible to provide the Form 1095-C to non-employees (e.g., retirees, ex-spouses, former dependents, etc.) that are enrolled in the self-insured health plan, for example, through COBRA

Form 1095-C: COBRA Reporting/Employees

Reporting depends on type of COBRA Qualifying Event (QE)

- If QE is termination of employment—
 - Line 14: Treat COBRA offer as "no offer" and use code 1H for any month COBRA applies
 - Line 15: Code 1H on line 14 requires line 15 to be left blank
 - Line 16: Use Code 2A (not employed) and 2B (coverage terminated in a month), not 2C (even if COBRA is elected) **If coverage lost mid-month, use 2B for that month*
- If QE is reduction in hours
 - Line 14: Use code describing coverage actually offered
 - Line 15: Lowest-cost self-only MV COBRA premium (less 2%)
 - Line 16: Same as for any other active employee



Incorrectly applying affordability safe harbors methods

The 3 Affordability Safe Harbors for Employers

Since employers often don't know their workers' household incomes, the IRS allows the employer to use one or all three of these tests for affordability, any of which can be used in place of household income:

- Federal Poverty Line (FPL) safe harbor
- Rate-of-Pay (Hourly Wage and/or Annual Salary) safe harbor
- W-2 Wages, box 1 safe harbor

Federal Poverty Line (FPL) Safe Harbor

Coverage is deemed affordable if the employee is charged no more than 9.86% for 2019 (as adjusted) of the most recently published mainland FPL for a household of one. The formula is $(\$12,140 \times .0986)/12 = \99.75 .

Rate-of-Pay Safe Harbor

This method is used to determine affordability using the monthly income based on annual salary and/or hourly wage. For this method to calculate, you must have the annual salary and/or hourly wage housed in the system. The formula(s) are: Annual Salary is $(25000 \times .0986)/12 = \205.42 and Hourly Wage is $(9.25 \times 130 \times .0986)$

W-2 Wages

This method uses wages reported in Box 1 of the employee's W-2. The lowest coverage option costs less than 9.86% for 2019 (as adjusted) of the employee's W2 earnings. For this method to calculate, a separate file must be provided to Selerix with this information.