2018 ACA Reporting Abbreviated Guide

Contents

Purpose of IRS Filing

Determine affordability and qualified offer for each employee for each month

The IRS needs to determine if an eligible employee within a company was offered health coverage and if that coverage was affordable according to IRS regulations. If coverage was not offered or affordable, the employee then can purchase subsidized coverage on the public exchanges.

Does my company need to file?

If your company is considered an ALE (Applicable Large Employer) then it is required to report on the offer of coverage to their eligible employees. An ALE is a company with 50 or more full time employees.

What forms are required to be filed?

Forms	Preparer	Recipient	Purpose
1095-C (Large Employers Fully-Insured or Self-Funded)	Employer	Employee	Determines whether, for each month of the calendar year, an employee may claim the premium tax credit on their individual return.
1094-C (Large Employers Fully-Insured or Self-Funded)	Employer	IRS	Used to report to the IRS summary information for each employer and to transmit Forms 1095-C to the IRS.
1094-B and 1095-B (Fully Insured)	Carrier	IRS	Used to report information to the IRS and to taxpayers about individuals who are covered by minimum essential coverage and therefore aren't liable for the individual shared responsibility payment.
1095-B (Self-Funded)	Employer	Employee	Small employers that aren't subject to the employer-shared responsibility provisions sponsoring self-funded group health plans will use Form 1095-B to report

			information about covered individuals.
1094-B (Self-Funded)	Employer	IRS	Used to report to the IRS summary information for each employer and to transmit Forms 1095-B to the IRS.

Only eligible employees will be receiving a 1095-C form. When we say eligible, we mean employees that either have the ACA classification of Eligible or Variable Hour employees that worked enough hours during their measurement period to be considered eligible for coverage. The end goal of determining eligibility is to identify the employees that need to receive a form and populate those forms with the proper codes.

NOTE: If a group is an ALE with a self-funded plan, anyone who is enrolled in that self-funded plan needs to be reported to the IRS. This includes retirees, COBRA participants, and dependents enrolled in the plan. On occasion non-employees will be receiving a 1095-C form. If a dependent is enrolled in a self-funded plan, their enrollment information will be reported on the employee's 1095-C form.

If a group is a small employer with a self-funded plan (meaning that they have less than 50 full time employees and are not considered an ALE), anyone that is enrolled in the plan will be receiving a 1095-B form.

How do I create a B series form for my small employer group?
1. Confirm that the medical plans built in Employee Navigator are marked as "Self-Funded" (Benefit>Contributions>Composite Rates)
2. Import the enrollment information of anyone enrolled in the self-funded plan
3. When filling out Part 1 Employer information in the ACA do NOT check that the group is an ALE. They are a small employer! When this box is NOT checked and we see enrollment in a self-funded plan, the system will know to create the B Series forms.

ACA Classifications and Class Structure

When it comes to ACA Reporting, we are dealing with two different levels of eligibility. The most important classification that is assigned to an employee when an employer is doing ACA reporting is their ACA classification. An ACA classification needs to be manually assigned to an employee's record, either by import or by going to an employee's Profile>ACA. The ACA Classifications that can be assigned to an employee are:

- **Eligible**: An employee who works more than 30 hours per week (130 hours/month), and needs to be offered health insurance coverage.
- **Ineligible**: An employee who consistently works less than 30 hours per week (130 hours/month), and will not have their hours increased. This employee will not be offered health insurance coverage.

- **Variable Hour**: An employee whose hours may vary, so that it is unknown if they will work 30 hours a week (130 hours/month). A classification of Variable Hour will trigger the system to use the Look-Back Measurement Method to determine if based on the number of hour worked during the measurement period, the employee averaged 130 hours a month, and needs to be offered health insurance coverage.

When this system looks to determine an employee's eligibility for a medical plan, it first looks at an employee's ACA classification. Next, the system looks at the employee's benefit class.

The purposes of benefit classes to vary health plan eligibility, waiting periods, and contributions by groups of employees such as departments, divisions, office locations, etc.   If you do not need classes, use the general "Default" class. Generally, classes should be created if:

- Employees have different eligibility requirements
- Per pay period contributions differ by class

In order for a 1095 form for be created properly in EN, with the proper codes, an employee must be assigned the proper ACA Classification and be in a benefit eligible class.

NOTE: Employees who have an ACA classification of Variable Hour will not be marked as eligible for the medical plans until they pass their measurement period (meaning that they worked enough hours during their measurement period to be considered eligible for coverage). You should not need to do a "class change" or an ACA classification change when a Variable Hour employee works enough hours to be considered eligible during their measurement period for purposes of making the employee eligible for the medical plans.

Which employees should I import?
Employees who were employed at any time during 2018 should be imported.

If your group has a self-funded plan, then you will need to import anyone enrolled in the plan. This includes past employees enrolled in COBRA for the 2018 reporting year, enrolled retirees, and enrolled dependents. For small employers, the 1095-B is reporting information about each covered individual. The B Series forms require the enrollment information for all covered individuals to be reported. Therefore, it is necessary to have COBRA, retirees, and dependent information. For an ALE, the enrollment information for anyone enrolled in the self-funded plan will be reported on Part III of the 1095-C.

What if I have collectively bargained employees, retirees, or COBRA participants at my company? These types of employees required a unique setup. For more information, please see the following article: ACA Reporting for COBRA participants, retirees, and Collectively Bargained Employees.

Measurement Periods and Importing Hours

Employee Navigator used the **Look-Back Measurement Method** to determine if your Variable Hour employees have worked enough hours to be considered eligible for benefits. We are "looking back" for a period between 3-12 months to see if these employees have averaged 30 hours a week (130 hours/month). If a Variable Hour employee does work enough hours during this period, then they will be considered eligible for benefits and will need to be offered coverage. These Variable Hour employees that worked enough hours to be eligible for coverage will be receiving a 1095 form to report their offer

of coverage. If a Variable Hour employee does NOT work enough hours during their measurement period, then they do not need to be offered coverage and they will not be receiving a form.

NOTE: If a VH employee works enough hours to be considered eligible for coverage, their ACA classification will NOT change. They will continue to be a VH employee who is eligible for their stability period, and will continued to be measured for their next stability period.

Our Measurement Period tab is broken out into several sections:

- **New Hire Measurement Period**: Their measurement period will start the first of the month after their hire date. You are able to select a measurement period other than 12 months for an employee's new hire measurement period, but 12 months is recommended.
- **Ongoing Measurement Period**: This is for employees that have been employed for more than one stability period. Their measurement period will coincide with open enrollment.
- **Administrative Period:** The optional period during which an employer can gather and analyze data to determine which employees are full-time, notify of eligibility, and enroll eligible employees. The administrative period can be no more than 90 days. You are able to select a period of time between 1-3 months on our system. For a VH employee in their New Hire Measurement Period, coverage must be offered within 13 months of their hire date, you are unable to select a New Hire Measurement Period of 12 months and an administrative period of 2 or 3 months. You are able to select a measurement period of 12 months and an administrative period of 1 month and it is compliant.
- **Stability Period**: The period in which the employee is "locked" in his status based on the hours worked in the preceding measurement period, regardless of how many hours the employee actually works in the stability period. This means that and employee in their stability period is considered eligible even if their hours drop below the 130-hour threshold. It is used for ongoing employees once they have been employed for a full measurement period.

Importing Hours
Hours will be used to determine if your VH employees have work enough hours to be considered eligible for benefits. The hours worked are used in conjunction with your measurement periods above. Employees who work on average 130 hours a month or more during the measurement period must be offered affordable coverage. Hours can be importing into Employee Navigator using either a monthly or daily template. You only need to import hours to Variable Hour employees, but we recommend import hours for all employees.

Our Hour Import tool can be found in the ACA tab>Import Hours.

What is an hour of service?
An hour of service is defined as each hour for which an employee is paid, entitled to payment, for the performance of duties to the employer; and each hour for which an employee is paid, or entitled to pay, but no duties are performed due to vacation, holiday, illness, disability, leave of absence, layoff, jury duty, or military duty. Federal regulations exclude volunteer, student employee, and member of religious order hours.

For more information, please see the following articles: ACA: Managing Hours and Managing New Hire Stability Periods.

Adding Medical Plans and Enrollments

Your medical plans need to be created in the system so the IRS codes can be derived. The eligibility rules that are set-up in the plan allow us to determine which employees were eligible and offered coverage. This information will be used in Line 14 of the 1095-C form. The cost of plan for the employee will also reflect on Line 15 of the 1095-C. If you have mid-calendar year plans, you need to build both plans for ACA Reporting.

Do I need to add all medical plans, or just the low cost plan?
If using the system for ACA reporting only, you only need to add the low-cost plan. Enrollment will be collected based on enrollment in a medical plan, not specifically the low-cost plan. This means that you would import all enrollment information into the low cost medical plan (even if the employee enrolled in a higher cost plan). The system will not be an accurate source for reporting on coverage or costs, but will be able to derive the correct 1095 codes. If using the system for full benefit administration, all plans need to be added and the enrollment information should be added to the appropriate plan.

How will enrollment information be reported on the 1095 form?
Enrollment information will be reported on Line 16 of the 1095-C, in Part III of the 1095-C if the group is self-funded, and if the group is a small employer if a self-funded plan, then the enrollment information will be reported on the B series forms.

Enrollment information will be pulled from a few places in Employee Navigator
- Enrollment imports
- Historical Import Tool imports
- Employee enrollments

Note, if the enrollment information for your group is already in Employee Navigator then you will not need to import any enrollment information into the system.

For more information on adding enrollment information into the system, please see the following article: Historical Import Tool.

Assigning ACA Plans

Each one of your medical plans needs to be assigned a value which will be used to derive codes for Line 14 of the 1095-C. Line 14 on the form reports the offer of coverage that is made to an employee.

We need to know certain things about the plans:
- **Self-Funded**: This will automatically be checked if the plans were marked as self-funded when the benefit was added. This tells the system to populate Part III of the 1095-C, or if the group is a small employer to produce the B series form. If your plans are self-funded, but were not marked as self-funded under the benefits, you can check this box and they will be marked as self-funded on the plan level.
- **Enforce ACA Eligibility**: A check within the system that allows Employee Navigator to calculate the correct eligibility dates for different enrollments. If this is checked, we are telling the system to look at an employee's ACA Classification before looking at the plan eligibility. This is enforcing ACA Classifications.

- **Provides Minimum Value**: A plan is minimum value if it covers at least 60% of the cost of benefits expected to be incurred under the plan.
- **Provides Minimum Essential Coverage**: MEC includes any major employer-sponsored medical plan, including retiree-only coverage, such as a retiree-only health reimbursement arrangement (HRA) Is Low Cost: Allows the system to simplify the calculations performed for affordability. There can be more than one low-cost plan.
- **Spouse Coverage Excluded**: When the plan does not offer the spouse coverage.
- **Children Coverage Excluded**: When the plan does not offer the child coverage.
- **Conditional Spouse Offer**: A conditional offer is an offer of coverage that is subject to one or more reasonable, objective conditions (for example, an offer to cover an employee's spouse only if the spouse is not eligible for coverage under a group health plan sponsored by another employer). Conditions attached to an offer may impact the spouse's eligibility for a premium tax credit.

Safe Harbors

An ALE needs to know if health coverage is affordable for its full-time employees because it determines whether an employee can receive a premium tax credit, and whether the employer is subject to a penalty. If the employee's required contribution to the employer-sponsored plan does not exceed 9.56% of the employee's household income, then the plan is considered affordable. However, it is difficult to determine an employee's household income. For this reason, there are three safe harbors that employers can use to determine affordability.

- **W-2 Safe Harbor**: The W-2 safe harbor uses the employee's annual W-2 wages (Box 1 value) and treats coverage as affordable if the employee contribution for the year does not exceed 9.56% of the W-2 value.
- **Rate of Pay Safe Harbor**: The Rate of Pay safe harbor uses the employee's rate of pay and treats coverage as affordable if the employee contribution for the year does not exceed 9.56% of the employee's rate of pay.
- **Federal Poverty Line Safe Harbor**: The Federal Poverty Line safe harbor uses the federal poverty line for the year ($12,060 in 2018) and treats coverage as affordable if the employee contribution for the year does not exceed 9.56%. This means that for the FPL to apply the cost of coverage per month for an employee cannot exceed $96.08.

Our Assign Safe Harbor tool allows you to assign these three safe harbors to groups of employees. Safe harbors can only be assigned by reasonable grouping. If an employee is assigned a safe harbor, the code will be reflected on line 16. It is important to note that if an employee is enrolled in coverage they will receive a code 2C (Employee enrolled in coverage offered), not a safe harbor code.

Tip: For commissioned employees, an employer will most likely use the W-2 safe harbor to determine affordability.

To assign a Safe Harbor to a reasonable grouping of employees, navigate to ACA>Safe Harbors.

Note: Safe Harbors are not a required to properly report on employees. They should only be used if they are needed to qualify the affordability of a plan for an employee.

For more information, please see the following article: Assigning Safe Harbors for Affordability.

Form Generation

In order to properly generate forms for an employer, the following needs to be completed:
1. Fill out Part 1 Employer Information
2. Walk through the Audit and E-File Steps

Code Breakdown

Line 14: "Offer of Coverage" Codes
1A. Qualifying Offer: Minimum essential coverage providing minimum value offered to full-time employee with employee contribution for self-only coverage equal to or less than 9.56% mainland single federal poverty line and at least minimum essential coverage offered to spouse and dependent(s). In order for an employee to receive this code, their cost of coverage per month cannot exceed $97.38. If the 1A code is generated on an employee's form, be sure to check off "Using Qualified Offer Method" on Part 1 Employer Information.
1B. Minimum essential coverage providing minimum value offered to employee only.
1C. Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage offered to dependent(s) (not spouse).
1D. Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage offered to spouse (not dependent(s)). 1E. Minimum essential coverage providing minimum value
1E. Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage offered to dependent(s) and spouse
1F. Minimum essential coverage NOT providing minimum value offered to employee, or employee and spouse or dependent(s), or employee, spouse and dependents.
1G. Offer of coverage to employee who was not a full-time employee for any month of the calendar year and who enrolled in self-insured coverage for one or more months of the calendar year.
1H. No offer of coverage (employee not offered any health coverage or employee offered coverage that is not minimum essential coverage).
1I. Reserved.
1J. Minimum essential coverage providing minimum value offered to you; minimum essential coverage conditionally offered to your spouse; and minimum essential coverage NOT offered to your dependent (s).
1K. Minimum essential coverage providing minimum value offered to you; minimum essential coverage conditionally offered to your spouse; and minimum essential coverage offered to your dependent(s).

Line 15: Lowest Plan Cost offered for Employee Only Coverage
This line will only be completed if code 1B, 1C, 1D, 1E, 1J, or 1K is entered on line 14 either in the "All 12 Months" box or in any of the monthly boxes.

Line 16: Applicable Safe Harbor Codes and Other Relief for Employers
2A. Employee not employed during the month. Enter code 2A if the employee was not employed on any day of the calendar month. Do not use code 2A for a month if the individual was an employee of

the employer on any day of the calendar month. Do not use code 2A for the month during which an employee terminates employment with the employer.
2B. Employee not a full-time employee. Enter code 2B if the employee is not a full-time employee for the month and did not enroll in minimum essential coverage, if offered for the month. Enter code 2B also if the employee is a full-time employee for the month and whose offer of coverage (or coverage if the employee was enrolled) ended before the last day of the month solely because the employee terminated employment during the month (so that the offer of coverage or coverage would have continued if the employee had not terminated employment during the month).
2C. Employee enrolled in coverage offered. Enter code 2C for any month in which the employee enrolled in health coverage offered by the employer for each day of the month, regardless of whether any other code in Code Series 2 might also apply (for example, the code for a section 4980H affordability safe harbor).
2D. Employee in a section 4980H(b) Limited Non-Assessment Period. Enter code 2D for any month during which an employee is in a Limited Non-Assessment Period for section 4980H(b).
2E. Multiemployer interim rule relief. Enter code 2E for any month for which the multiemployer interim guidance applies for that employee.
2F. Section 4980H affordability Form W-2 safe harbor. Enter code 2F if the employer used the section 4980H Form W-2 safe harbor to determine affordability for purposes of section 4980H(b) for this employee for the year. If an employer uses this safe harbor for an employee, it must be used for all months of the calendar year for which the employee is offered health coverage.
2G. Section 4980H affordability federal poverty line safe harbor. Enter code 2G if the employer used the section 4980H federal poverty line safe harbor to determine affordability for purposes of section 4980H(b) for this employee for any month(s).
2H. Section 4980H affordability rate of pay safe harbor. Enter code 2H if the employer used the section 4980H rate of pay safe harbor to determine affordability for purposes of section 4980H(b) for this employee for any month(s).
2I. Reserved.

For more information and troubleshooting tips, please reference the following articles:
- Audit and E-file
- 1094 MEC Override Tool
- Line 14 and 16 code overrides
- Troubleshooting: Employees with unaffordable coverage or a non-qualifying offer
- Troubleshooting: Why wasn't a 1095 form generated for my employee(s)?
- Import Low Cost Plan Cost

Self-Funded Reporting Check List
1. Confirm that all employees have ACA classifications
   a. If you have Variable Hour employees, be sure that the appropriate hours have been added for those employees
2. Confirm that medical plans have been added and are marked as self-funded
3. Confirm that anyone that was enrolled in the self-funded plan is added into Employee Navigator and that the appropriate enrollment information has been added for the individual
4. Assign ACA Plan Values
5. Assign any applicable Safe Harbors
6. Fill out Part 1 Employer Information

7. Walk through the Audit and E-File process to generate the forms

Fully Insured Reporting Check List

1. Confirm that all employees have ACA classifications
   a. If you have Variable Hour employees, be sure that the appropriate hours have been added for those employees
2. Confirm that medical plans have been added
3. Confirm that the appropriate enrollment information has been entered into the system
4. Assign ACA Plan Values
5. Assign any applicable Safe Harbors
6. Fill out Part 1 Employer Information
7. Walk through the Audit and E-File process to generate the forms

Reviewing your 1094 and 1095 Forms

Be sure to properly review your 1094 and 1095 forms for your groups. When reviewing the 1094 form, take care to review the MEC indication that is being generated for your groups. The IRS is looking to see if MEC was offered to 95% of your eligible employees. If coverage was offered that was MEC to 95% of your employees, then the indicator will be set to "Yes." If it was not, the indicator will be set to "No." We have created a MEC Override tool that allow you to see the employees that are being used in the calculation and allow you to change this MEC value.

E-Filing

On December 8th you will be able to connect to the e-file system. As part of the filing process, you will be able to make 1094 updates if Employee Navigator does not reflect the expected value.

Please see the following article for more information: Instructions for the E-File Portal

Corrections

After the e-file is completed with the IRS, the IRS will review the data and you will need to check back to determine the e-file status and fix any errors. Please see the following article for more information: Troubleshooting: IRS Errors requiring corrections

Pre-paid Codes

If your administrator has provided you with a pre-paid code, you may enter it in lieu of your credit card information.