

# ACA 101: THE BASICS

March 2017

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## table of contents

**04** Applicable Large Employer (ALE) Status

**06** Basic Requirements

**11** Reporting Requirements

**16** Penalties

---

# Introduction

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## **Introduction**

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## *ALE Status*

---

## *Basic Requirements*

---

## *Reporting Requirements*

---

## *Penalties*

---

The sweeping 20,000-page Patient Protection and Affordable Care Act created a compliance and reporting challenge for almost every employer – then later revisions further complicated the picture.

*Does it apply to my company? How do I determine which employees might be eligible for coverage? What reporting requirements do I have? If I don't do everything correctly, what penalties could there be?*

You're not alone in wondering. That's why AGH's human resource and payroll professionals have put together this guide to give you some of the basics of ACA reporting.

**Questions? Contact AGH's organizational development professionals at 316.291.4022.**

# Applicable Large Employer (ALE) Status

---

*Introduction*

---

*ALE Status*

---

*Basic Requirements*

---

*Reporting Requirements*

---

*Penalties*

---

---

# Are you an applicable large employer (ALE)?

One of the most important things to understand is whether you are classified as an ALE.

In general, an ALE is an employer with 50 or more full-time or full-time equivalent employees.

For help determining whether you fall under the applicable large employer status, visit [irs.gov/Affordable-Care-Act/Employers/Determining-if-an-Employer-is-an-Applicable-Large-Employer](https://www.irs.gov/Affordable-Care-Act/Employers/Determining-if-an-Employer-is-an-Applicable-Large-Employer).

**Please note: regardless of the number of employees, any organization that has a self-funded health care plan is required to complete ACA reporting.**

ALEs and self-insured companies are currently the only organizations who are required to complete ACA reporting, although that requirement could change in future years.

---

*Introduction*

---

***ALE Status***

---

*Basic Requirements*

---

*Reporting Requirements*

---

*Penalties*

---



# Basic Requirements

---

*Introduction*

---

*ALE Status*

---

*Basic Requirements*

---

*Reporting Requirements*

---

*Penalties*

---

---

# What are the basic ACA requirements?

---

*Introduction*

---

*ALE Status*

---

***Basic Requirements***

---

*Reporting Requirements*

---

*Penalties*

---

If you have determined that you are an ALE, you should become familiar with these four areas of basic requirements for ACA compliance and reporting:

**Employer Mandate**

**Plan Requirements\***

**Reporting Requirements**

**Required Notes**

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# Employer mandate & plan requirements

---

*Introduction*

---

*ALE Status*

---

***Basic Requirements***

---

*Reporting Requirements*

---

*Penalties*

---

Applicable large employers must offer health coverage to substantially all of their full-time employees and dependents or pay a penalty if any full-time employee receives a government subsidy for health coverage through an insurance exchange.

**Employee health plans must include the following (not all-inclusive):**

- Free preventive care
- Expanded preventive care services for women

- No annual limits for essential health benefits
- Waiting periods cannot exceed 90 days
- No exclusion for pre-existing conditions
- Coverage for clinical trial participants
- Limits on cost sharing

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# Reporting requirements

---

*Introduction*

---

*ALE Status*

---

***Basic Requirements***

---

*Reporting Requirements*

---

*Penalties*

---

**The following reporting is required for ALEs and sponsors of self-insured plans effective 1/1/2015:**

- Compliance with IRC Sections 6055 and 6056
- Reporting for calendar year regardless of plan year
- Applicable Large Employers (ALEs) must file Forms 1094-C and 1095-C
- Sponsors of self-insured plans of non-ALEs must file Forms 1094-B and 1095-C (Insurers also file these forms)
- Employee statement (1095-C or 1094-B) must be provided to employees by Jan. 31
- IRS returns must be filed by Feb. 28 (March 31 if filed electronically)

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# Required notices

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*Introduction*

---

*ALE Status*

---

***Basic Requirements***

---

*Reporting Requirements*

---

*Penalties*

---

**Employers must issue the following notices to employees as applicable:**

- Statement of grandfathered status
- Notice of patient protections and selection of providers (annually)
- Summary of Benefits and Coverage (SBC) – annually and to new enrollees
- Notice of marketplace exchange (2013) and to new hires
- 60-day notice of plan changes outside of regular open enrollment periods
- Notice of rescission

# Reporting Requirements

---

*Introduction*

---

*ALE Status*

---

*Basic Requirements*

---

*Reporting Requirements*

---

*Penalties*

---

---

# When does information need to be reported?

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Reporting requirements for all Applicable Large Employers (ALEs) took effect 1/1/15. **All ALEs must report for the prior calendar year as outlined below:**

- Employee statement (1095-C or 1094-C) must be provided to employee by January 31, unless that date falls on a Sunday.
- IRS returns must be filed by February 28 (March 31 if filed electronically)



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*Introduction*

---

*ALE Status*

---

*Basic Requirements*

---

***Reporting Requirements***

---

*Penalties*

---

---

# What is required for information reporting?

---

*Introduction*

---

*ALE Status*

---

*Basic Requirements*

---

***Reporting Requirements***

---

*Penalties*

---

## **For Applicable Large Employers:**

- Who was a full-time (or full-time equivalent) employee for each month
- Total employee counts for each month
- Name, address and other identifying information for both the employer and each employee
- What health care coverage was offered for each month, if any
- The employee share of the monthly premium for lowest-cost self-only minimum value coverage
- Which months each employee was in enrolled in your coverage
- Which months your organization met affordability safe harbor requirements (see the IRS website here for more information: <https://www.irs.gov/Affordable-Care-Act/Employers/Questions-and-Answers-on-Employer-Shared-Responsibility-Provisions-Under-the-Affordable-Care-Act - Question 19>)

- If you offer a self-insured plan, information about the covered individuals in each plan
- Whether your organization is eligible for transition relief (see the [IRS website](#) for organizations which may have different requirements for reporting and coverage)

## **For non-ALE self-insured plan sponsors:**

- Name, address and other identifying information for both the employer and each employee
- Name, SSN and months of coverage for each covered individual

# Coverage Codes

Use this table to determine the proper coverage code to use for line 14 of form 1095-C:

Code	Explanation
1A	Qualifying offer: MEC providing MV offered to full-time employee with employee contribution for self-only coverage $\leq$ 9.5% of single federal poverty line & at least MEC offered to spouse & dependents
1B	MEC providing MV offered to employee only
1C	MEC providing MV offered to employee and at least MEC offered to dependent(s) (not spouse)
1D	MEC providing MV offered employee and at least MEC offered to spouse (not dependent(s))
1E	MEC providing MV offered to employee and at least MEC offered to dependent(s) and spouse
1F	MEC NOT providing MV offered to employee, or employee and spouse or dependent(s) or employee, spouse and dependent(s)
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 MEC)
1I	Reserved
1J	MEC providing MV to employee, and conditional offer of MEC to spouse (but not dependents)
1K	MEC providing MV to employee, and dependents, and conditional offer to MEC to spouse.
<b>MEC = Minimum Essential Coverage      MV = Minimum Value</b>	

---

*Introduction*

---

*ALE Status*

---

*Basic Requirements*

---

***Reporting Requirements***

---

*Penalties*

---

# Safe Harbor Codes

Use this table to determine the proper safe harbor code to use for line 16 of form 1095-C:

Code	Explanation
2A	Employee not employed during the month
2B	Employee not a FT employee
2C	Employee enrolled in coverage offered
2D	Employee in a limited non-assessment period
2E	Multiemployer interim rule relief
2F	Section 4980H affordability Form W-2 safe harbor
2G	Section 4980H affordability federal poverty line safe harbor
2H	Section 4980H affordability rate of pay safe harbor
2I	Reserved

---

*Introduction*

---

*ALE Status*

---

*Basic Requirements*

---

***Reporting Requirements***

---

*Penalties*

---

# Penalties

---

*Introduction*

---

*ALE Status*

---

*Basic Requirements*

---

*Reporting Requirements*

---

*Penalties*

---

# What is the risk for non-compliance?

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*Introduction*

---

*ALE Status*

---

*Basic Requirements*

---

*Reporting Requirements*

---

***Penalties***

---

## Penalties may be assessed for non-compliance in several areas:

Compliance Area:	Penalty (adjusted annually for inflation):
For Applicable Large Employers (ALEs) not providing health care coverage for employees (triggered by <u>any</u> employee who receives a premium tax credit through the exchange)	\$2,000 per employee per year (calculated on a monthly basis). Take the number of full-time employees (minus 80 in 2015; minus 30 in subsequent years) times \$166.67 for each month.
For ALEs who provide coverage but it is not affordable or does not meet minimum value requirements (triggered by the employee who receives a premium tax credit through the exchange)	\$3,000 per employee per year who obtains coverage through the exchange (calculated on a monthly basis)
For any employer not complying with general ACA requirements	\$100 per employee per day
For any employer not complying with information reporting requirements	\$250 per employee per day; capped at \$3M Double for not reporting to IRS and to employees

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**Questions?  
Contact us.**



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