



Employer's roadmap to **ACA**

Tips on surviving this year's ACA reporting season.



wexTM

Intro to ACA

The Patient Protection and Affordable Care Act, often referred to as ACA, was enacted in March of 2010. It aimed to increase both the quality and affordability of health insurance in the United States by expanding coverage and reducing costs for both individuals and the government.

While the aims of the Affordable Care Act are important, the legislation and resulting paperwork have been of great concern to Human Resources professionals.

Here are our tips on surviving this year's ACA reporting season!



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Determining Status

The first step in ACA reporting is determining if your company is an Applicable Large Employer (ALE). That involves determining how many full-time employees and full-time employee equivalents work for your company.

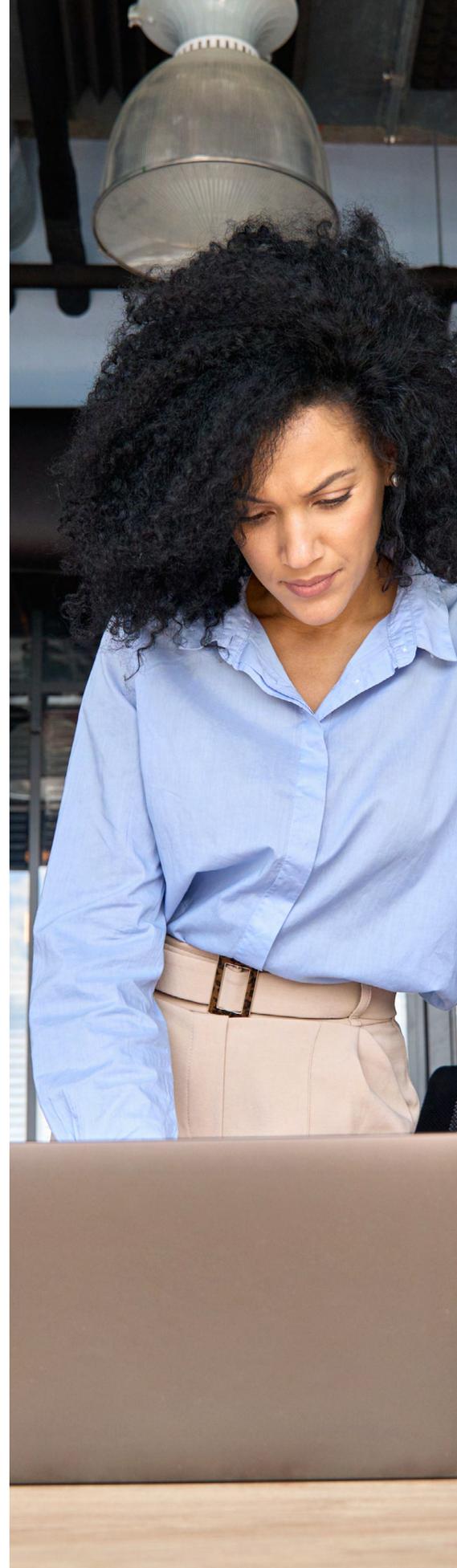
For the purposes of determining ALE status, a full-time employee is a person who works over 30 hours a week, or over 120 hours in a calendar month.

To determine the number of full-time employee equivalents, follow the equation below:

- ⌚ hours worked by all part-time employees in past month
- ÷ 130
- = number of full time equivalents

To determine whether your company is ALE, do the below calculation for the past 12 months.

- ⌚ hours worked by all part-time employees in past year
- + sum of all full-time equivalents each month for 12 months
- ÷ 12



Determining Affordability

Affordable coverage (under the ACA employer mandate) is defined as costing no more than 9.61% of household income (or 9.5% of W-2 Wages, 130 hours multiplied by the hourly rate of pay or the poverty level for safe harbors).

That's the basic requirement, but some employer actions or contributions can affect determining affordability. We'll go over that when we talk about special considerations!



IRS Forms

The ACA added new reporting requirements under Internal Revenue Codes 6055 and 6056. These new reporting rules require certain employers to furnish the IRS with information regarding the medical coverage they do or do not offer to their employees.

Applicable Large Employers subject to employer shared responsibility rules must report information on health coverage offered to full-time employees to the IRS and covered individuals.

If you are a WEX client, we're able to file everything for you. Last year, compliant filings helped our clients avoid over \$50 million in potential federal penalties.

There are five draft forms included in the Internal Revenue Codes:

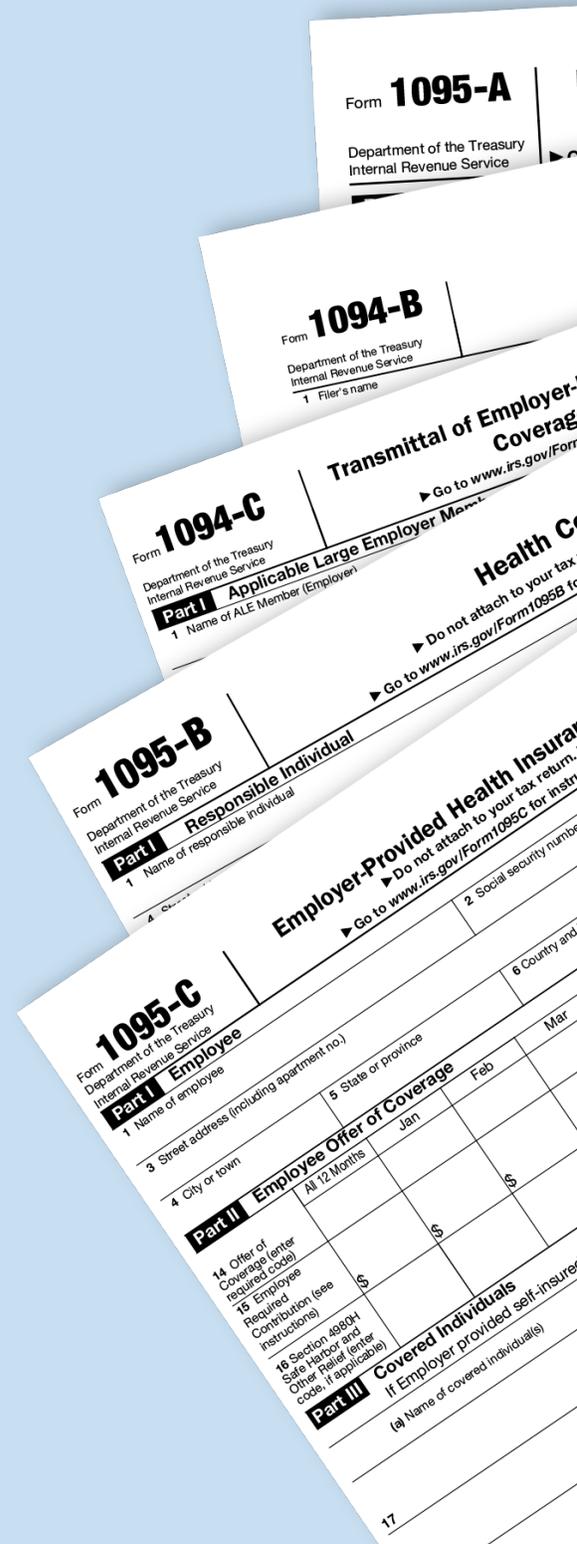
1095-B – Health Coverage. Insurers and self-insured plans to provide to each enrollee. Gives information on coverage provided.

1094-B – Transmittal of Health Coverage Information Returns. Insurers and self-insured plans to file with IRS along with all 1095-B forms.

1095-C – Employer-Provided Health Insurance Offer and Coverage. ALEs to provide to each enrollee. Provides information on available coverage and to whom and when coverage is offered.

1094-C – Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns. Insurers and self-insured plans to file with IRS along with all 1095-C forms.

1095-A – Health Insurance Marketplace Statement. Exchanges to provide to enrollees.



IRS Forms

The Affordable Care Act (ACA) created new reporting requirements under the Internal Revenue Code sections 6055 and 6056. Under these new reporting rules, certain employers must provide information to the IRS about the health plan coverage they offer (or do not offer) to their employees. The additional reporting is intended to promote transparency with respect to health plan coverage and costs. It also provides the government with information to administer other ACA mandates, such as the large employer shared responsibility penalties and the individual penalty.

Section 6055

Employee

Anyone that received Minimum Essential Coverage (MEC)

Required information on Form 1095-C (ALE Members) or Form 1095-B (non-ALE), such as:

- Name and SSN of every person covered under the employee's program or policy
- Months that the employee and any dependents were enrolled and entitled to receive benefits

IRS

Completed Forms 1095-C (ALE Members) or completed Forms 1095-B (not an ALE Member) plus:

- Total number of FTE's per calendar month
- Total headcount per calendar month
- Certification that Minimum Essential Coverage was offered per calendar month

Section 6056

Employee

Anyone that that was a Full-Time Employee (FTE)

Required sections of Form 1095-C, including employee information such as:

- Whether coverage was offered by calendar month
- Employee's share of the lowest cost monthly premium by calendar month
- Whether an applicable 4980H Safe Harbor was used by calendar month

IRS

Completed Forms 1095-C plus required sections of Form 1094-C, including ALE Member information such as:

- Total number of FTE's per calendar month
- Total headcount per calendar month
- Certification that Minimum Essential Coverage was offered per calendar month

The IRS will use this information to enforce penalties under the employer and individual mandates



Which forms?

Do you offer Minimum Essential Coverage under a self-insured plan?

Yes

No

Are you an Applicable Large Employer (ALE)?

Yes

No

Yes

No

6055 & 6056

6055

6056

Neither

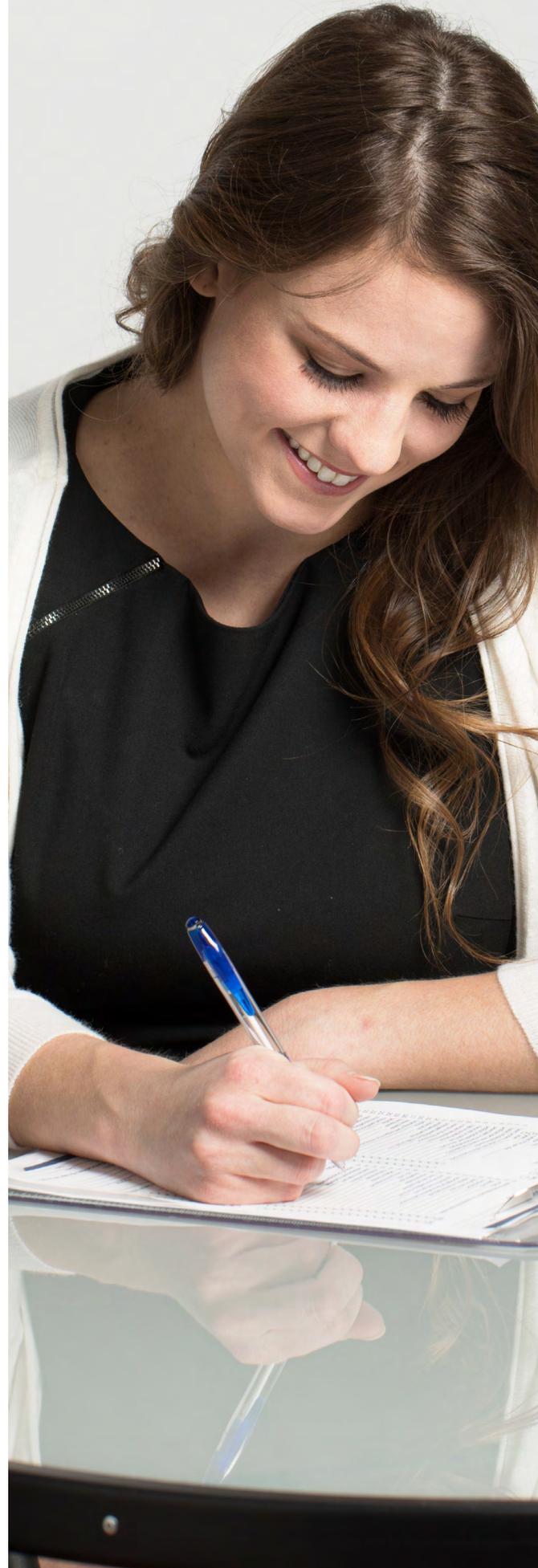
Required 6056 Submissions

Form 1094-C and copies of all 1095-Cs to the IRS by 3/31*Form 1095-C to employees by 1/31*

Required 6055 Submissions

Form 1094-B and copies of all 1095-Bs to the IRS by 3/31*Form 1095-B to employees by 1/31*

** If the due date falls on a weekend or holiday - the due date is the next business day*



Special Cases

Plan Affordability

1

Many employers don't understand other factors that influence plan affordability, such as *payments for not taking company-provided health insurance and wellness plans.*

2

It's common for employers to offer a payment to employees who do not accept employer-provided health insurance. However, these payments can cause problems under ACA.

Recent legislation determined that those payments figure in to plan affordability. **By accepting healthcare, employees give up that sum in salary.** As such, the plan can be said to cost that much more.

Be sure to factor this in when making decisions about your company's healthcare plans!



Special Cases

Wellness

3

Employer-sponsored wellness plan incentives can also factor in to determining plan affordability.

For example, some employers contribute to their employees' flex spending accounts as an incentive for participating in wellness programs. Under ACA, employer flex contributions can only reduce the amount of employee contributions when determining affordability if the contributions can only be used for health spending.

They cannot be received as a taxable benefit and can only be used for medical care.

Don't forget to make sure the incentives for your wellness plans are within EEOC guidelines!

If the program requires employees to take a biometric screening or answer a health questionnaire, an employer's incentive for participating in a program may not exceed 30% of the total cost of self-only health insurance.

If the employer offers multiple insurance plans, they must use the lowest cost plan.

If the employer does not offer health insurance, they must base their incentive on what a 40-year-old non-smoker would pay for self-only coverage under the second lowest cost Silver Plan on the state or federal health care exchange in the employer's primary location.

This applies only to wellness programs which make inquiries regarding health and disability status as part of the program.

For programs that do not include health and disability related inquiries, an employer may offer up to 50% of the cost of self-only insurance.

** Pending further guidance, employers should consult their advisors regarding implications of wellness incentives.*



Noncompliance

The Internal Revenue Code Code § 6056 includes penalties for ACA filing failures, which—in addition to late filings—include failure to include all of the required information on the return or including incorrect information.

Separate penalties apply for returns filed with the IRS and for statements furnished to individuals. Thus, filing failures can easily result in “double” penalties—one for the return filed with the IRS and a second penalty for the statement furnished to an individual.

For filings made in 2022, the penalty amount will increase to \$250 for each return or statement to which a failure relates, capped at \$3,000,000 per calendar year.

These amounts are reduced if failures are corrected by the following dates:



Thirty-Day Rule.

If a failure is corrected within 30 days after the required filing date (or the deadline for furnishing individual statements), the penalty is reduced to \$500,000 for filings made in 2022.



August 1 Rule.

If a failure is corrected after the 30-day rule described above but on or before August 1, the penalty is reduced to \$100 per return or statement, and the calendar-year cap is reduced to \$1,500,000 for filing made in 2022.

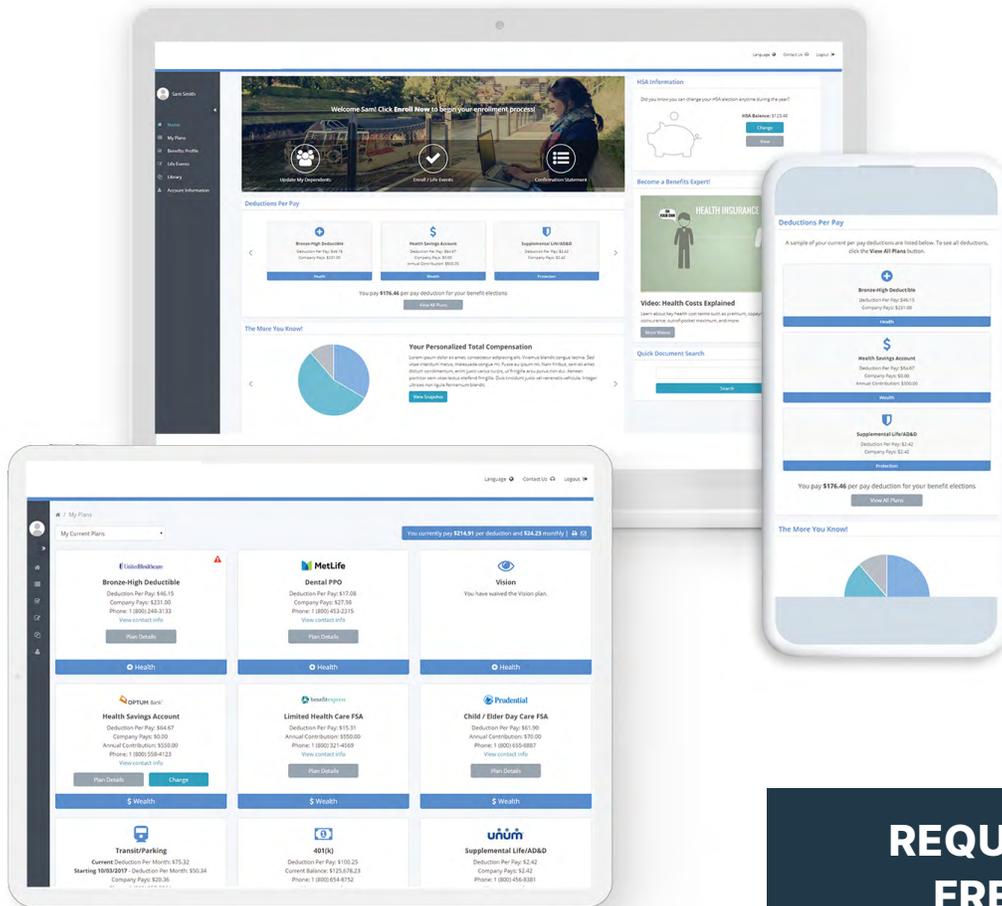


Filing failures can easily result in “double” penalties—one for the return filed with the IRS and a second penalty for the statement furnished to an individual.

Conclusion

ACA can be confusing, but it doesn't have to be! When you partner with WEX for benefits outsourcing, we help you remain compliant.

For more information, consult our [blog](#), or visit our [website](#) to request a demonstration of our benefits administration software today.



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