

## **ACA 6055 & 6056 Employer Reporting Requirements**

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# Fully Insured Large Group

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*If you are a fully insured large group than as the employer, you will be responsible to complete Parts I & II on the 1095C form.*

## **Part I (Employee):**

Asks for standard employee/employer information that HR & Payroll should have on file.

## **Part II (Employee Offer & Coverage):**

Line 14 pertains to if an offer of coverage was made under code 6056 (where the IRS details potential employer penalties.) The 3 most commonly used codes in box 14 would be 1A, 1E or 1H. Code 1A is the hardest one to satisfy. In order to use 1A employee contributions must be less than 9.5% of the Federal Poverty Level. FPL in 2016 is \$11,770. The breakdown would be that the employee couldn't pay more than \$93 a month towards the cost of their insurance with code 1A. Code 1E states that minimum value coverage was offered to the employee and at least MEC (minimum essential coverage) was offered to spouse and dependents. Code 1H would be used if there was no offer of coverage. Line 15 is where the employer would enter the amount of the employee's share of the lowest-cost monthly premium for self-only minimum value coverage that is offered to the employee. Line 15 needs to be completed if one of the following codes was used in line 14: 1B, 1C, 1D or 1E.

Line 16's purpose is to provide the IRS with additional information that will help the agency more accurately assess liability for employer payment and individual tax liability. The most commonly used codes in Line 15 would be 2C (employee is enrolled in coverage), or 2F (employer is using the W2 affordability safe harbor.)

## **Part III (Covered Individuals):**

Part III does not need to be completed by fully insured ALEs, this section details coverage provided on a monthly basis

# Self-Insured Large Group

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*If you are a self-insured large group than as the employer, you will be responsible to complete Parts I, II and III on the 1095C form.*

## **Part I (Employee):**

Asks for standard employee/employer information that HR & Payroll should have on file.

## **Part II (Employee Offer & Coverage):**

Line 14 pertains to if an offer of coverage was made under code 6056 (where the IRS details potential employer penalties.) The 3 most commonly used codes in box 14 would be 1A, 1E or 1H. Code 1A is the hardest one to satisfy. In order to use 1A employee contributions must be less than 9.5% of the Federal Poverty Level. FPL in 2016 is \$11,770. The breakdown would be that the employee couldn't pay more than \$93 a month towards the cost of their insurance with code 1A. Code 1E states that minimum value coverage was offered to the employee and at least MEC (minimum essential coverage) was offered to spouse and dependents. Code 1H would be used if there was no offer of coverage. Line 15 is where the employer would enter the amount of the employee's share of the lowest-cost monthly premium for self-only minimum value coverage that is offered to the employee. Line 15 needs to be completed if one of the following codes was used in line 14: 1B, 1C, 1D or 1E.

Line 16's purpose is to provide the IRS with additional information that will help the agency more accurately assess liability for employer payment and individual tax liability. The most commonly used codes in Line 15 would be 2C (employee is enrolled in coverage), or 2F (employer is using the W2 affordability safe harbor.)

## **Part III (Covered Individuals):**

Part III must be completed by self-insured ALEs, this section details coverage provided on a monthly basis for each employee and their dependents. For fully insured plans the carrier is responsible to report this information, but with self-insured plans it is the employer's responsibility.

# Self-Insured Small Group

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*If you are a self-insured small group than as the employer, you will be responsible to complete Parts I, II III & IV on the 1095B form.*

**Part I (Responsible Individual):**

Lines 1-9 asks for standard employee information that HR & Payroll should have on file.

**Part II (Employer Sponsored Coverage):**

Lines 10-15 asks for standard employer information that HR & Payroll should have on file.

**Part III (Issuer or Other Coverage Provider)**

Lines 16-22 this part reports information about the coverage provider (insurance company, employer providing self-insured coverage, government agency sponsoring coverage under a government program such as Medicaid or Medicare, or other coverage sponsor). Line 18 reports a telephone number for the coverage provider that you can call if you have questions about the information reported on the form.

**Part IV (Covered Individuals)**

Lines 23-28 is where coverage information would be reported

## 1094-C Transmittal Form

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In addition to sending a form 1095 for all applicable employees and covered individuals to the IRS employers are also required to submit at least one form 1094 as the “cover sheet” to the 1095s the employer is submitting to the IRS. The form 1094C has four parts that must be completed by the employer.

### **Part I (Applicable Large Employer – ALE Member):**

Lines 1-16 ask for standard employee information that HR & Payroll should have on file.

### **Part II (ALE Member Information):**

Lines 20-22 ask for additional information. Line 22 is where the employer would certify if they meet certain transitional relief or offer of coverage requirements. There are 4 boxes to choose from in line 22, employers should select all that apply. Regarding the “98% offer method” box: employers who qualify for the 98% offer method do not need to report the number of full time employees in Part III column (b) of their 1094.

### **Part III (ALE Member Information - Monthly)**

This section is used to report aggregate employer information for each month of the calendar year. Regarding Column C: the employer may pick either the first or last day of the month, or the first or last day of the first payroll period for the month, to report total employees. Column E is where an indication of whether the employer is eligible for any of the transitional relief (provided in previous IRS guidance) would be listed. Code A is used to identify if the employer is eligible for any of the transition relief that is available to employers with 50-99 FTEs. Code B is used to identify the months during 2015 only when an employer did not offer coverage to substantially all full-time employees (i.e. 70% in 2015), and the transitional rule which calculates the 4880H (a) penalty after the first 80 (instead of 30) full time employees applies.

### **Part IV (Other ALE Members or Aggregated ALE Group)**

This is where employers would enter the names and EINs of other ALE members to the Aggregated ALE Group (who were members at any time during the calendar year.)

## 1094-B Transmittal Form

In addition to sending a form 1095B for all applicable employees and covered individuals to the IRS employers are also required to submit at least one form 1094-B as the “cover sheet” to the 1095-B the employer is submitting to the IRS. The form 1094C has 1 part (9 questions) that must be completed by the employer.

# COBRA & Retiree Reporting

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If you are fully-insured employer, your insurer or plan sponsor is responsible for reporting COBRA coverage under section 6055. If you are a self-insured employer, you are responsible for reporting COBRA coverage under section 6055, even if you use a TPA for your COBRA administration

For Part II of form 1095-c, line 14, code 1G would be used for COBRA beneficiaries. Lines 15 and 16 are not required.

**Q: Do you have to report for individuals who are on COBRA? What premium amount should be used since they pay 100% of the premium if they need to be reported on?**

A: If you are a self-insured employer, you must complete section 6055 reporting for anyone enrolled in your COBRA coverage. If using form 1095-C for COBRA reporting, you would enter codes 1G and 2A in part II lines 14 and 16, respectively. Line 15 is not required as affordability is not assessed for COBRA individuals.

**Q: Do retirees who receive health insurance benefits need form 1095-C as they are not working?**

A: If you are a self-insured employer, section 6055 reporting is required for both retirees and COBRA individuals, and the forms used for this reporting (either forms 1094 and 1095-B or form 1095-C) must be furnished to the IRS and the individuals to satisfy the individual mandate.

**Q: We were told by an employment law firm that COBRA/retirees had to report on a 1095-C for when they were active, but if they continued coverage, you would use a 1095-B form as the entity that offered the MEC.**

A: That is correct. If you are a self-insured employer offering COBRA/retiree coverage, you have the option to use either form 1095-B or form 1095-C for reporting their COBRA/retiree coverage as the entity providing MEC.

**Q: I thought the IRS clarified that the option was to use 1095-C OR 1095-B for retirees and COBRA enrollees in a self-funded plan, not that you don't have to report them at all.**

A: As was specified in the webinar, this reporting is only optional for the 2014 tax year. For 2015 forward, COBRA/retiree coverage for self-insured employers is required, with the option to use form 1095-B or 1095-C for reporting.

<http://www.tangohealth.com/cobra-retirees/>

## Notes & Miscellaneous Information

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Can an employer group have multiple codes for box 14 (meaning could an employer use a 1A code for some employees and a 1E code for others?) Answer – yes, different codes can be used

A qualifying offer is made if an employer offers the employee minimum value (MV) coverage, with a cost to the employee for single coverage of less than 9.5% of the current federal poverty rate for an individual. In 2015 this works out to be \$93.18 per month (the FPL is adjusted every year, so this will be slightly higher each year.)