

Affordable Care Act

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Introduction



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Who Does This Apply To?

Applicable Large Employer (ALE)

- Any employer with 50 or more Full Time and/or Full Time Equivalent employees
- Annual reporting triggered by previous year's annual average

Aggregated Applicable Large Employer Group

- Based upon the corporate entity's common ownership
- All entities file their own forms to the IRS and mark the 1094-C with all related entity names and FEIN's
- **Let a lawyer determine this status!**

Full Time ACA Benefit Status

- ACA Benefit Status refers to the current status the employee has per the company designated Measurement Periods
- Determined by weekly *AND* monthly calculations
 - 30 hours or more worked per week
 - 130 hours or more worked per month
- If the employee is determined to be Full Time per ACA regulations – coverage should be offered or penalties could be incurred

Medical Coverage

Minimum Essential Coverage (MEC)

- Any insurance plan that meets the Affordable Care Act requirement for healthcare coverage
- Five states have enacted their own MEC regulations mirroring federal requirements: California, Massachusetts, New Jersey, Rhode Island and Vermont—along with Washington, D.C.

Minimum Value (MV)

- An employer-sponsored plan provides minimum value if it covers at least 60 percent of the total allowed cost of benefits that are expected to be incurred under the plan

Self-funded vs Fully Insured

- Self-funded plans require reporting for all dependents enrolled in coverage on the 1095-C form

Let the broker do the MEC and MV verifications when shopping for plans!

ACA Periods & Methods

Measurement → Assessment → Stability

1. Monthly Measurement Period Method

- Does not have a Stability Period
- Hours are measured each month
- If there are a large number of Variable Hour employees – this method creates an administrative burden
 - Variable Hour employees are essentially Part Time or non-salaried employees with varying schedules

ACA Periods & Methods (cont.)

Measurement → Assessment → Stability

2. Look-Back Measurement Period Method

- Each employee's hours are tracked and averaged over the measurement period, which can be as short as three months to as long as 12 months
- An optional administration period may be applied
 - Although there is a maximum allowable administration period of 90 days, as a practical matter, employers typically choose between 30 to 60 days
 - Includes Open Enrollment
- The beginning of the stability period should align with the beginning of the offer coverage effective date
 - During this stability period employees are locked in as either full-time or not full-time. If the employee is "locked" into a non-full-time position, employers can still extend offers of coverage but are not required to.

Safe Harbor Affordability Methods

- Federal Poverty Level (FPL)
 - Based on an employee's annual household income, which is a function of that employee's household size and is adjusted on an annual basis. Each year, HHS publishes the annual FPL.
 - For the 2024 tax year, the 2023 mainland FPL for a household size of one is \$14,580
 - Formula: $\$14,580 \times 8.39\% / 12 = \101.94
- Prior Year's W-2 Wages
 - W-2 Box 1 Wages multiplied by 8.39% with an adjustment for partial year coverage
- Rate of Pay
 - Formula varies for salaried vs hourly employees

IRS Required Forms

1095-C Form – Individual Employee Reporting

Form **1095-C**
Department of the Treasury
Internal Revenue Service

Employer-Provided Health Insurance Offer and Coverage

Do not attach to your tax return. Keep for your records.

Go to www.irs.gov/Form1095C for instructions and the latest information.

VOID

CORRECTED

OMB No. 1545-2251

2023

Part I Employee				Applicable Large Employer Member (Employer)									
1 Name of employee (first name, middle initial, last name)		2 Social security number (SSN)		7 Name of employer				8 Employer identification number (EIN)					
3 Street address (including apartment no.)				9 Street address (including room or suite no.)				10 Contact telephone number					
4 City or town		5 State or province		6 Country and ZIP or foreign postal code		11 City or town		12 State or province		13 Country and ZIP or foreign postal code			
Part II Employee Offer of Coverage				Employee's Age on January 1				Plan Start Month (enter 2-digit number):					
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)													
15 Employee Required Contribution (see instructions)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
16 Section 4980H Safe Harbor and Other Relief (enter code, if applicable)													
17 ZIP Code													

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 60705M


Form **1095-C** (2023)

IRS Required Forms (cont.)

- 1094-C Form – Essentially the employer summary to the IRS
 - Sent with 1095-C forms
 - Monthly employee totals needed
 - Pick a standard day of the month for the count

Form 1094-C		Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns		<input type="checkbox"/> CORRECTED	OMB No. 1545-2251
Department of the Treasury Internal Revenue Service		Go to www.irs.gov/Form1094C for instructions and the latest information.		2023	
Part I Applicable Large Employer Member (ALE Member)					
1 Name of ALE Member (Employer)			2 Employer identification number (EIN)		
3 Street address (including room or suite no.)					
4 City or town		5 State or province		6 Country and ZIP or foreign postal code	
7 Name of person to contact			8 Contact telephone number		
9 Name of Designated Government Entity (only if applicable)			10 Employer identification number (EIN)		
11 Street address (including room or suite no.)					
12 City or town		13 State or province		14 Country and ZIP or foreign postal code	
15 Name of person to contact			16 Contact telephone number		
17 Reserved <input type="checkbox"/>					

For Official Use Only



1095-C Codes (Lines 14 & 16)

Refer to 1095-C Code
on the IRS Website

1A	Qualifying Offer: Minimum essential coverage providing minimum value offered to full-time employee with Employee Required Contribution equal to or less than 9.5% (as adjusted) of mainland single federal poverty line and at least minimum essential coverage offered to spouse and dependent(s).	
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)). Do not use code 1D if the coverage for the spouse was offered conditionally. Instead, use code 1J.	
1E	Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage offered to dependent(s) and spouse. Do not use code 1E if the coverage for the spouse was offered conditionally. Instead, use code 1K.	
1F	Minimum essential coverage NOT providing minimum value offered to employee; employee and spouse or dependent(s); or employee, spouse, and dependents.	
1G	Offer of coverage for at least one month of the calendar year to an individual who was not an employee for any month of the calendar year or to an employee who was not a full-time employee for any month of the calendar year (which may include one or more months in which the individual was not an employee) and who enrolled in self-insured coverage for one or more months of the calendar year.	*Applies to the entire year or not at all.
1H	. No offer of coverage (employee not offered any health coverage or employee offered coverage that is not minimum essential coverage, which may include one or more months in which the individual was not an employee).	
1I	Reserved for future use.	
1J	Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage conditionally offered to spouse; minimum essential coverage not offered to dependent(s).	
1K	Minimum essential coverage providing minimum value offered to employee; at least minimum essential coverage offered to dependents; and at least minimum essential coverage conditionally offered to spouse.	

IRS ACA Deadlines

- All 1095-C forms must be postmarked and mailed to employees by **March 1, 2024**
- Employer electronic filings of 1094-C and 1095-C forms are due to the IRS by **April 1, 2024**
- Employer mailed filings are due by **February 28, 2024**
- Employers can file for a reporting extension directly with the IRS in certain circumstances

IRS Filing Requirements

- Employers filing less than 10 1095-C Forms can file electronically or by mail
- Employers filing 10 or more 1095-C forms *MUST* file electronically
 - <https://www.irs.gov/e-file-providers/affordable-care-act-information-returns-air>

Where To File

Send all information returns filed on paper to the following:

If your principal business, office or agency, or legal residence, in the case of an individual, is located in:	Use the following address:
Alabama, Arizona, Arkansas, Connecticut, Delaware, Florida, Georgia, Kentucky, Louisiana, Maine, Massachusetts, Mississippi, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, Texas, Vermont, Virginia, West Virginia	Department of the Treasury Internal Revenue Service Center Austin, TX 73301
If your principal business, office or agency, or legal residence, in the case of an individual, is located in:	Use the following address:
Alaska, California, Colorado, District of Columbia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Maryland, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Utah, Washington, Wisconsin, Wyoming	Department of the Treasury Internal Revenue Service Center P.O. Box 219256 Kansas City, MO 64121-9256

ACA Form Corrections

- If a 1095-C form needs to be corrected – mark the “Corrected” box at the top right of the form
- Make the necessary corrections
- Create a “Corrected” 1094-C form that will be the new Authoritative Transmittal
- Send all corrected 1095-C forms with the new Authoritative Transmittal 1094-C form to the IRS
 - Don’t forget to mail the corrected 1095-C to the employee!

IRS Penalties

The Section 4980H(a) penalty, issued to ALEs that fail to offer minimal essential coverage to at least 95 percent of their full-time employees and their dependents, are expected to be \$2,750 per employee, or \$229.17 a month, for the 2022 tax year. The assessed amount will deduct 30 full-time employees from the total number of full-time employees.

The Section 4980H(b) penalty, issued per each employee that receives a premium tax credit/subsidy from a state or federal ACA marketplace exchange when the ALE does not offer a coverage option that meets the affordability threshold, is expected to be \$4,120 per employee or \$343.33 a month, for the 2022 tax year.

Thank You!



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