

# Wisdom at Work.

[SILVERSTONEGROUP.COM](http://SILVERSTONEGROUP.COM)

**ISAC**  
Iowa State Association of Counties

SilverStone  
GROUP 

# Welcome

---

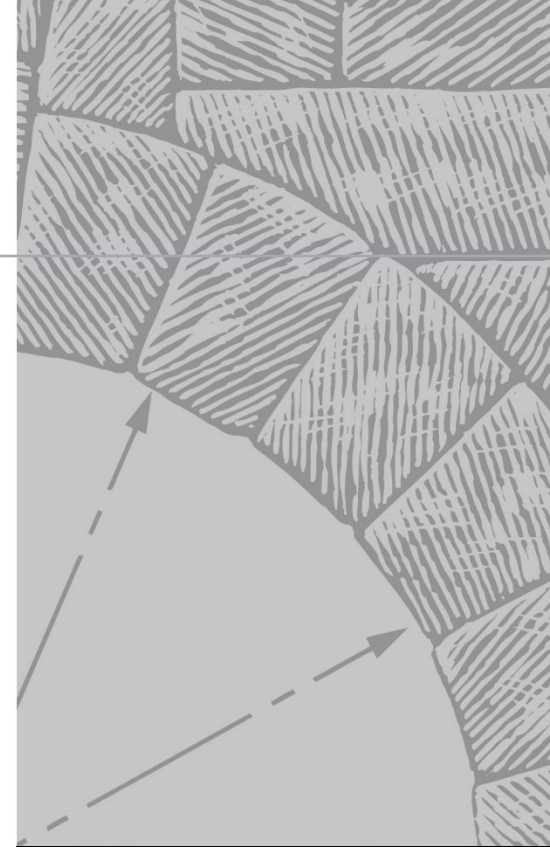
## Health Insurance Reporting: Updated Forms for 2016

*Presented by*

Michael Vech, ASA, MAAA  
Vice President, Actuary

# Assessing Penalties

- IRS assessment of excise tax
  - Based on employer Forms 1095-C and 1094-C, along with information regarding whether any employees received subsidized coverage through an Exchange (Form 1095-A for those employees)
  - Expected to see first penalties soon
  - There will be an appeal process before final penalty determination
  - Separate from the Marketplace notices informing employers of their right to appeal Exchange subsidies



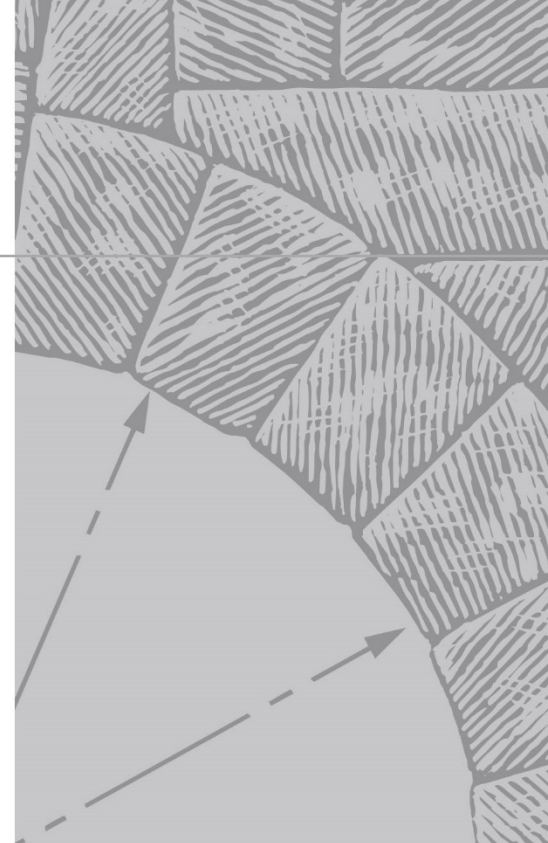
# Appealing Exchange Notices

- Not directly related to employer excise taxes under IRC Section 4980H
- HHS regulations clarify that an appeal decision (e.g., that the employee is in fact entitled to Exchange subsidies) does not foreclose any appeal rights the employer may have under the code for excise tax liabilities under Section 4980H
- Potential benefits of filing an appeal are twofold
  - Can minimize the employee's potential liability to repay Exchange subsidies
  - Can help protect the employer from being incorrectly assessed an excise tax under Section 4980H



# Avoiding Penalties

- “Offer” coverage
  - Effective opportunity to enroll or decline each year
- Affordability
  - Safe harbors
    - W-2 wages (annual determination)
    - Rate of pay
    - Federal Poverty Line
  - Affordability in Exchange is based on household income



# Avoiding Penalties

---

- Notice 2015-87
  - Clarifies previous question about affordability for employer safe harbors and affordability in Exchange
  - References to 9.5% in Section 4980H affordability safe harbors and Qualifying Offer Method are applied based on the percentage as indexed for purposes of applying the affordability thresholds under Section 36B (premium tax credit)
  - The percentage (as adjusted):
    - 9.56% for plan years beginning in 2015
    - 9.66% for plan years beginning in 2016

# IRS Due Dates

- Calendar year 2016 forms
  - Forms 1095-B and 1095-C are due to employees by January 31, 2017
    - Extended to March 2, 2017 by Notice 2016-70
  - Forms 1094-B, 1095-B, 1094-C and 1095-C are required to be filed with the IRS if filing on paper by February 28, 2017
  - Forms 1094-B, 1095-B, 1094-C and 1095-C are required to be filed with the IRS if filing electronically by March 31, 2017

# Filing to the IRS

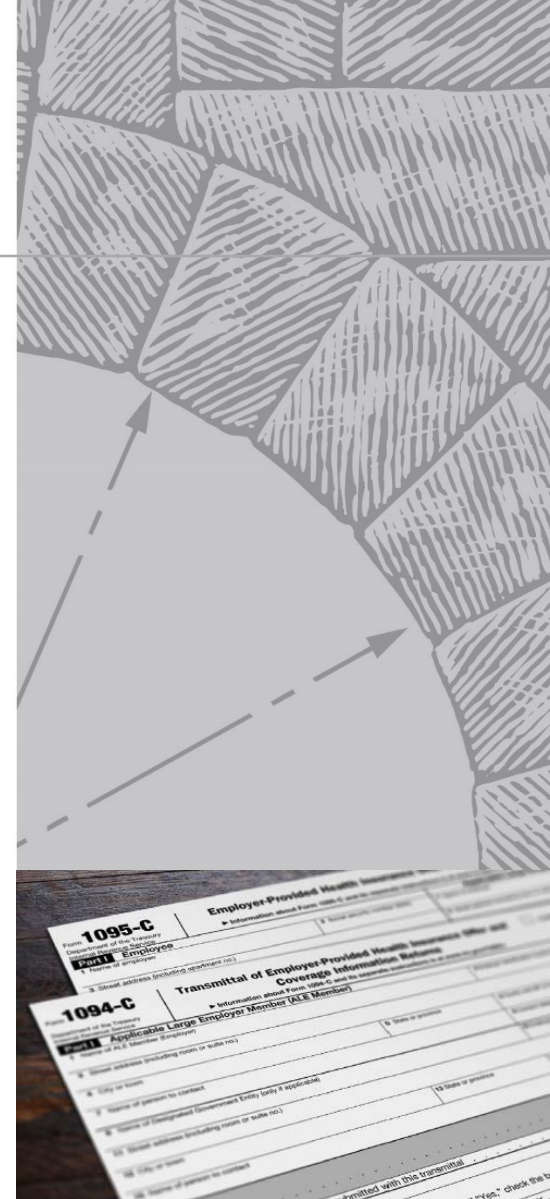
---

- Aggregated ALE groups
  - Each ALE member must file its own Form 1094-C (and associated Forms 1095-C) under its own separate EIN
    - No authoritative transmittal should be filed for an aggregated ALE group



# Filing to the IRS

- Corrected returns
  - Form 1094-C: Only mark the **corrected** checkbox for corrections to the Authoritative Transmittal and do not file any Form(s) 1095-C with the corrected Authoritative Transmittal
  - Form 1095-C: Only mark the **corrected** checkbox for correcting a 1095-C that was previously filed with the IRS
    - File a Form 1094-C to the IRS (do not mark the **corrected** checkbox on 1094-C) with corrected Form(s) 1095-C
    - For correcting a Form 1095-C that was previously furnished to a recipient, but not filed with the IRS, write, type or print **corrected** on the new Form 1095-C furnished to the recipient



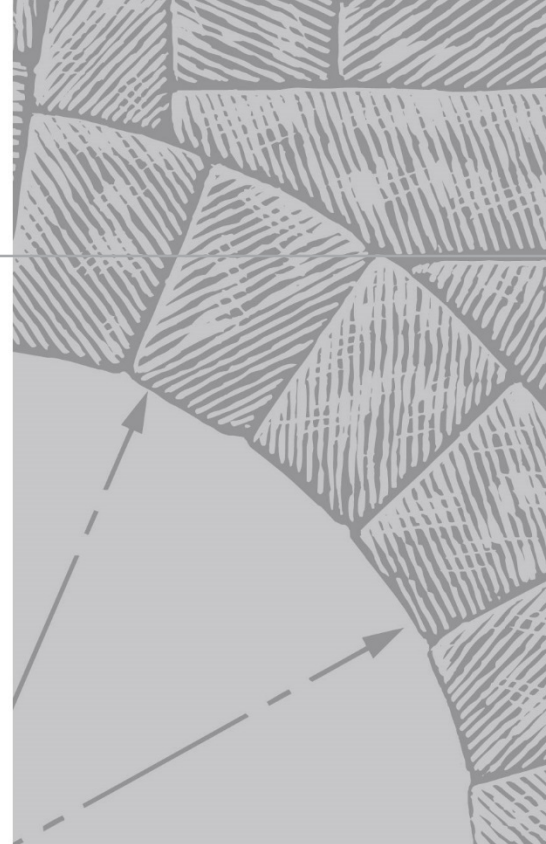
# Employees Who Receive Form 1095-C

- Employees who are identified as full-time employees for any month during the calendar year
  - Look-back measurement method: employee locked into full-time status in stability period or reasonably expected to be a full-time employee at start date
  - Monthly measurement method: employee has at least one month with at least 130 hours
- If self-insured, any enrolled policyholder, even if not a full-time employee in any month (unless using Form 1095-B)

# Certifications of Eligibility

*Form 1094-C Part II: ALE Member Information (Line 22)*

- Box A: Qualifying Offer Method
- Box B: Reserved
  - Previously: Qualifying Offer Method Transition Relief, which was limited to the 2015 calendar year
- Box C: Section 4980H Transition Relief
  - Expected to be removed in 2017 forms, but could still be needed for 2016
  - Applies to plan years that began in 2015
- Box D: 98% Offer Method



# Offer of Coverage

*Form 1095-C Part II: Employee Offer of Coverage (Line 14)*

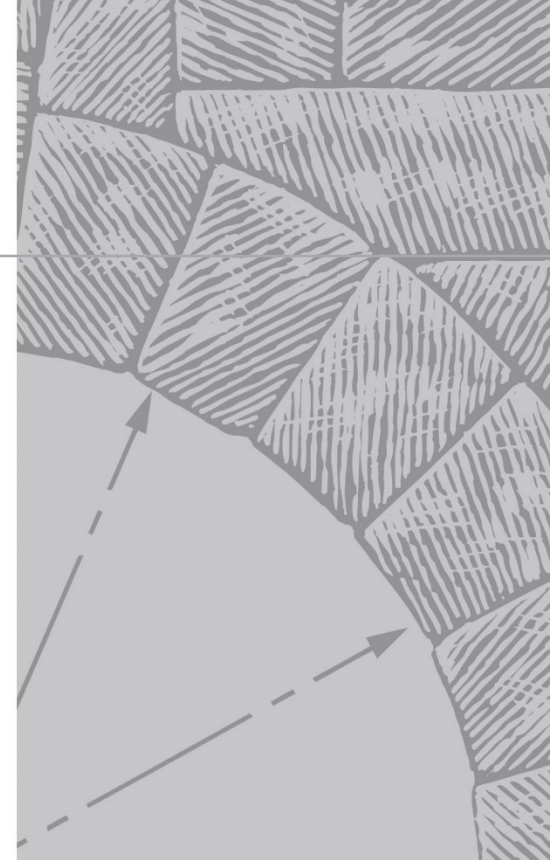
- Code 1I: Reserved
  - Previously: Qualifying Offer Method Transition Relief, which was limited to the 2015 calendar year
- Added Codes 1J and 1K
  - Conditional Offer of Spousal Coverage
  - 1J if minimum essential coverage is not offered to dependent(s)
  - 1K if minimum essential coverage is offered to dependent(s)



# Section 4980H Safe Harbor

*Form 1095-C Part II: Employee Offer of Coverage (Line 16)*

- Code 2I: Reserved
  - Previously: non-calendar year transition relief, which was limited to the 2015 calendar year months prior to the beginning of 2015 plan year



# Example 1

Full-time employee for the entire year. Offered and accepted coverage.

Part II: Employee Offer and Coverage													
	All 12 Months	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
14 Offer of Coverage (Enter Required Code)	1E												
15 Employee Required Contribution (See Instructions)	\$100												
16 Applicable Section 4980H Safe Harbor (Enter Code if Applicable)	2C												
<b>Alternative Line 15 (if Premiums were Not the Same the Entire Year)</b>													
15 Employee Share of Lowest Cost Monthly Premium for Self-only Minimum Value Coverage		\$95	\$95	\$95	\$95	\$95	\$95	\$105	\$105	\$105	\$105	\$105	\$105

# Example 2

Full-time employee for the entire year. Waived coverage that was affordable using the rate of pay safe harbor.

Part II: Employee Offer and Coverage													
	All 12 Months	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
14 Offer of Coverage (Enter Required Code)	1E												
15 Employee Required Contribution (See Instructions)	\$100												
16 Applicable Section 4980H Safe Harbor (Enter Code if Applicable)	2H												
<b>Alternative Line 16 (if Using the Federal Poverty Line Safe Harbor)</b>													
16 Applicable Section 4980H Safe Harbor (Enter Code if Applicable)	2G												

# Example 3

Full-time employee for the entire year. Waived coverage that was not affordable under the safe harbor elected by the employer.

Part II: Employee Offer and Coverage													
	All 12 Months	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
14 Offer of Coverage (Enter Required Code)	1E												
15 Employee Required Contribution (See Instructions)	\$200												
16 Applicable Section 4980H Safe Harbor (Enter Code if Applicable)													



# Example 4

Full-time employee hired in April. Offered and accepted coverage after a waiting period (first of the month after 30 days).

Part II: Employee Offer and Coverage													
	All 12 Months	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
14 Offer of Coverage (Enter Required Code)		1H	1H	1H	1H	1H	1E	1E	1E	1E	1E	1E	1E
15 Employee Required Contribution (See Instructions)							\$100	\$100	\$100	\$100	\$100	\$100	\$100
16 Applicable Section 4980H Safe Harbor (Enter Code if Applicable)		2A	2A	2A	2D	2D	2C	2C	2C	2C	2C	2C	2C
<b>Alternative Line 16 (if Waiving Coverage that is Affordable under the Rate of Pay Safe Harbor)</b>													
16 Applicable Section 4980H Safe Harbor (Enter Code if Applicable)		2A	2A	2A	2D	2D	2H	2H	2H	2H	2H	2H	2H

# Example 5A

Full-time employee terminated in August. Offered and accepted coverage while employed. Coverage ends on last day of month of termination. Months after termination are coded as “no offer of coverage” and “not employed” regardless of acceptance of COBRA.

Part II: Employee Offer and Coverage													
	All 12 Months	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
14 Offer of Coverage (Enter Required Code)		1E	1E	1E	1E	1E	1E	1E	1E	1H	1H	1H	1H
15 Employee Required Contribution (See Instructions)		\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100				
16 Applicable Section 4980H Safe Harbor (Enter Code if Applicable)		2C	2C	2C	2C	2C	2C	2C	2C	2A	2A	2A	2A

# Example 5B

Full-time employee terminated in August. Offered and accepted coverage while employed. Coverage ends on last day of employment. Months after termination are coded as “no offer of coverage” and “not employed” regardless of acceptance of COBRA.

Part II: Employee Offer and Coverage													
	All 12 Months	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
14 Offer of Coverage (Enter Required Code)		1E	1E	1E	1E	1E	1E	1E	1H	1H	1H	1H	1H
15 Employee Required Contribution (See Instructions)		\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100				
16 Applicable Section 4980H Safe Harbor (Enter Code if Applicable)		2C	2C	2C	2C	2C	2C	2C	2B	2A	2A	2A	2A
<b>Line 14 in Month of Termination</b> Thus, if coverage terminates before the last day of the month (because, for instance, the employee terminates employment with the ALE member, or otherwise loses eligibility for coverage under the plan), the employee does not actually have an offer of coverage for that month (and code 1H should therefore be entered on line 14).							<b>Line 16 in Month of Termination</b> 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).						

# Example 6

Covered, but not a full-time employee in **any** month. Only applies to self-insured employers. Examples: Retirees or COBRA that terminated in a prior year or part-time employees with coverage.

Part II: Employee Offer and Coverage													
	All 12 Months	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
14 Offer of Coverage (Enter Required Code)	1G												
15 Employee Required Contribution (See Instructions)													
16 Applicable Section 4980H Safe Harbor (Enter Code if Applicable)													



# Thank you!

[SILVERSTONEGROUP.COM](http://SILVERSTONEGROUP.COM)

**ISAC**  
Iowa State Association of Counties

SilverStone  
GROUP 