

**Health Coverage Reporting 2022**  
**By Lisa Duquette, SCHOOLCARE Executive Director**

Slide 1:

Hello, my name is Lisa Duquette and I'll be reviewing the key points for 2022 health coverage reporting under the Affordable Care Act utilizing IRS Forms 1094 and 1095.

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Please note the disclaimer. The information contained in this presentation is not intended to provide legal or tax advice.

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The agenda items we'll cover in this presentation include background information including affordability safe harbors, deadlines, potential penalties, Form 1095-C examples and resources.

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The Affordable Care Act of 2010 required reporting of health coverage beginning in 2016 for the 2015 calendar year. The requirements of the reporting are detailed in Internal Revenue Code Sections 6055 and 6056.

Section 6055 is simpler reporting for employers with less than 50 full-time equivalent employees using Forms 1094-B and 1095-B.

Section 6056 is for Applicable Large Employers, or ALEs, with more than 50 full-time equivalent employees. ALEs report using the 1094-C and 1095-C forms, detailing offers and enrollment in employer-sponsored plans providing minimum essential coverage. Due to the more complex reporting, this presentation includes 1095-C reporting examples to assist Member Employers.

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Reporting must include any individuals covered by the SCHOOLCARE plans including part-time employees, early retirees, and COBRA participants. Please note, it does not include reporting on Medicare supplement plans such as the SCHOOLCARE 65+ plans.

We must emphasize that ALL SCHOOLCARE Member Employer Groups must report using either the B or C Forms because SCHOOLCARE is a self-funded health plan. Unfortunately, there are no exceptions and a bit later we'll review the penalties for non-reporting.

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It is critical to determine if you are reporting as an Applicable Large Employer. This is solely based on the counting full- and part-time employees to determine full-time equivalents. If less than 50, reporting should be done using IRS B Forms, which as indicated previously are shorter and less complex. Most SchoolCare Member Groups, however, will have more than 50 full-time equivalents and need to use the IRS C Forms.

An excellent full-time equivalent employee calculator is located at [healthcare.gov](https://www.healthcare.gov). Be sure to calculate annually!

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Another important step in preparing for reporting is that employers must make a reasonable effort, specifically three attempts, to collect Social Security numbers. SCHOOLCARE provided listings for

missing SSNs in November. If you haven't already done so, review the listing of covered individuals to see who is missing a Social Security number. Do you have documentation of the three attempts to obtain that information? If so, you're all set. Otherwise continue to make the required three reasonable attempts to obtain the missing SSNs and then forward along to us at SCHOOLCARE.

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When it comes to reporting, it is very important each year for Applicable Large Employers to consider the three affordability safe harbors. The safe harbors are a way to indicate to the IRS that the coverage the employer provided is affordable. This can eliminate any employer responsibility penalties that may otherwise be assessed when an employee receives a federal subsidy for health coverage through the marketplace.

To use the safe harbors, the employer must offer SCHOOLCARE coverage to at least 95% of full-time employees and their dependents. Different safe harbors may be used for varying employee classes such as bargaining groups. And remember the key is the affordability test applies to the lowest cost, self-only, SCHOOLCARE coverage available to the employee and NOT the actual coverage enrolled in.

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The safe harbor affordability threshold for 2022 is 9.61% using any of the three methods: Federal Poverty Level, W-2 wages, or Rate of Pay. If you can use the federal poverty line safe harbor, meaning that the employee cost share for the lowest cost, self-only coverage offered is less than \$103.15 per month in 2022, it will reduce the administrative burden when reporting, which we will show later in the examples.

The W-2 Wages and Rate of Pay methods require looking at each employees earning to determine if it meets the affordability threshold. Although it requires more work, it can be worthwhile to consider if it will minimize employer penalties.

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As far as reporting deadlines, remember that regardless of SCHOOLCARE's plan year being July to June, employers must report based on the IRS calendar year. Individual statements for your employees, COBRA participants, and early retirees are due by March 2, 2023, for 2022 calendar year coverage.

If you're a paper filer, you must report to the IRS by February 28, 2023. Those who e-file and those employers that are required to e-file due to having 250 or more full-time equivalent employees, must file by March 31, 2023.

If there is an extenuating circumstance that you can show good cause for requesting an extension for reporting to the IRS, be sure to file Form 8809 on or before the February 28 or March 31 IRS deadlines as applicable.

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As emphasized earlier, this reporting is NOT optional. If an employer does not provide the correct statements to employees there is a \$290 fine for each return and if not filed with the IRS there is an additional \$290 fine for each return.

Don't forget penalty enforcement continues. IRS letter 226-J is issued to Applicable Large Employers that the IRS determines for a least one month in the year experienced one or more employees who received

a premium tax credit through the health care marketplace and did not have affordable employer coverage.

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Now we are ready to move into reporting examples for Applicable Large Employers with over 50 full-time equivalent employees completing Form 1095-C. The examples are based on the most common questions we've received in past years.

All Form 1095-C examples reference the most frequently utilized safe harbor, which is the Federal Poverty Line. The other assumptions include: the employer offers coverage through SCHOOLCARE and therefore is considered self-funded, the SCHOOLCARE plan year begins in July, all employees are offered family coverage and enroll when offered unless otherwise stated in the examples.

To offer full disclosure, self-funded ALE's may use form 1094 and 1095-B instead for those non-employees covered under the plan, such as early retirees, COBRA participants or widowed spouses. However, for consistency you may want to use the form 1095-C for all.

Form 1095-C Part II, Lines 14, 15, and 16 are going to be the areas of focus in our examples, because we know this is where the majority if not all the questions arise. This slide shows the listing of codes that can be used on Line 14. The most common codes are 1A, 1E, and 1H. We will be providing more details on each code as we move through specific examples.

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This slide provides the listing of codes for Part II, Line 16. These are the safe harbor codes. The most common codes here are 2A, 2D, and 2G.

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With this foundation, we are ready for the Form 1095-C examples.

On this slide only I'll note the information in Part I. This is where the basic contact information for the employee and employer are provided. The only difference on each 1095-C is employee data.

In Example 1, John is a full-time health insurance-eligible employee enrolled in the SCHOOLCARE health plan all calendar year. This employer is utilizing the Federal Poverty Line safe harbor and has determined that the lowest-cost single coverage offered to this employee is less than the 2022 safe harbor of \$103.15.

Focusing on Part II, the first piece of information to enter is the plan start month. This is not when the employee begins their coverage, all SCHOOLCARE plans begin in July so 07 is noted. For anyone who enrolls in coverage at any time during the year you'll still use 07.

On Line 14 code 1A is used as a qualifying offer due to coverage satisfying the 2022 federal poverty line standard.

Line 15 is left blank pursuant to IRS form instructions indicating that using Code 1A due to the Federal Poverty Line safe harbor being met allows you to leave this row empty.

Line 16 is code 2C as John is enrolled in coverage all 12 months.

Note, if the codes in Part II, Lines 14 through 16 are the same for all months, they only need to be entered in the All 12 Months column.

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In Example 2, Michael is a new, full-time employee in August 2022, and he's eligible for coverage on the first of the month following his date of hire. He's offered and enrolled in coverage as of September 1, 2022, in the SCHOOLCARE health plan and remains in that plan through December 31st. Michael's cost share is greater than the Federal Poverty Line safe harbor in 2022. His cost share for the lowest cost plan offered is \$127.05 per month for single coverage.

On Line 14 Offer of Coverage, for the months of January through August use code 1H because there was no offer of coverage. But beginning in September, through the end of the calendar year, use code 1E. 1E indicates that Michael was offered minimum value coverage along with his spouse, and dependents.

Line 15 would be left blank for the months in which he was not offered coverage or insurance. However, beginning with the month of September, the lowest cost employee share of health insurance for the months that Michael was enrolled was determined to be \$127.05 and must be entered on Line 15.

For line 16 there are several codes that will be used. For the months of January through July, Michael was not employed, so use code 2A indicating not employed any day that month. In August however, Michael was employed but he was not offered coverage so use code 2D indicating he is in a non-assessment period or waiting period. Beginning September through December while he had coverage; use code 2C for Enrolled in Coverage.

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In Example 3, we have Martin who retired in 2020 and remains enrolled in the employer's group-sponsored health coverage as an early retiree. Martin is enrolled January 1, 2022, through December 31<sup>st</sup> in the SCHOOLCARE health plan. Since he is a retiree and not employed anytime during the year, the lowest cost individual plan and safe harbor are not applicable.

Therefore, Martin's form is quite simple to complete. On line 14 use code 1G indicating that he is a part-time employee or non-employee covered under a self-funded plan. No information should be provided for lines 15 or 16 as they relate to the lowest cost plan and safe harbor codes, which are not applicable in this example.

Before we leave this example, I'd like to further explain the use of Code 1G on line 14.

Code 1G can be used when an individual is enrolled in coverage under the plan for one or more calendar months of the year but was not an employee for any calendar month of the year. So, they would have had to have been an early retiree for the entire calendar year, never employed.

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Example 4 is an existing employee, Nancy, who has a qualifying event at June 30, 2022, when she voluntarily terminates employment and enrolls in COBRA coverage.

Part II, Line 14, the Code 1E is used as minimum value coverage was offered to Nancy and her family January through June. As a former employee during the calendar year, code 1H should be used for July through December.

On Line 15, for the months that she was employed, January through June, the lowest cost employee share of health insurance for those months was determined to be \$116.10 and must be entered on line 15 because it is greater than the Federal Poverty Line safe harbor.

Line 15 should be left blank for July through December as Nancy was not an employee during that time.

Line 16 use code 2C January through June as Nancy was an employee who enrolled in coverage. July through December code 2A is used as she was not employed.

If you have a COBRA participant, please refer to the IRS instructions for Forms 1094-C and 1095-C. It contains specific guidance for reporting COBRA continuation coverage. This example is for a former employee. It is important to know that if you have a COBRA participant that remains an employee, your reporting will be different than this example. Please refer to Page 11 of the 2022 IRS instructions for all the details.

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The final Example 5 is very similar to the previous scenario with the exception that it's an employee that retires. We have an employee, Cheryl, who retires during the year and then turns age 65. She retires on June 30th and continues her coverage as an early retiree. However, on October 1st she becomes eligible and enrolls in Medicare and the SCHOOLCARE 65+ plan.

On Line 14 for the months of January through June, we use code 1E indicating that minimum value coverage is offered to Cheryl and her spouse and dependents. Beginning in July, we use 1H indicating there is no offer of coverage. This is correct even though Cheryl continues her early retiree SCHOOLCARE health plan and then the SCHOOLCARE 65+ plan because Cheryl is no longer employed.

On Line 15, for the months that she was employed, January through June, the lowest cost employee share of health insurance for those months was determined to be \$163.90 and must be entered on line 15 because it is greater than the Federal Poverty Line safe harbor.

Line 15 should be left blank for July through December as Cheryl was not an employee at that time.

Line 16 uses code 2C January through June as Cheryl was an employee who enrolled in coverage. July through December code 2A is used as she was not employed.

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We have updated resources that include links to the 2022 Forms and Instructions. Don't hesitate to utilize these links to find important information and further instructions.

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This concludes our presentation for 2022 IRS Health Coverage Reporting. Please do not hesitate to call SCHOOLCARE at area code 603-836-5031 with any follow-up questions. We are here to assist on weekdays between the hours of 8:30 a.m. and 4:30 p.m.