IRC 6055- 6056 Applicable Large Employer Reporting

Lisa Duquette:

Thank you for joining us as we begin year 3 of health insurance coverage reporting. My name is Lisa Duquette and I'm the executive director for SchoolCare. I'm joined today by Melissa Perreault, our associate executive director. This presentation is a refresher for those large employers with 50 or more full-time equivalent employees. As always if you have specific questions pertaining to your reporting, or ACA as a whole, please be sure to check with your legal counsel.

This presentation is not intended as legal or tax advice, but rather to provide information about legislative changes impacting health insurance reporting. Our agenda for today will start with a review on the background of 6055 and 6056, covering the who, why, how, and when of reporting. Then we'll briefly touch upon 2017 updates. Those of you who have more than 50 employees or full-time equivalents, report under 6055 and 6056 using IRS forms 1094 and 1095 C. Some of our member groups have received letters from the IRS in the past, so we'll spend a couple minutes explaining how SchoolCare can assist you. Finally, we'll move to next steps. You will also notice the Certified Health Care Reform Specialist seal. As an FYI we have staff members who have achieved this designation and are ready to assist with any questions you might have.

Before we begin, as a reminder SchoolCare offers self-funded plans, therefore SchoolCare medical benefits provided are considered self-funded. You may hear of others in the private sector talking about fully insured plans, but we won't be discussing those requirements as they are not relevant to SchoolCare members.

The IRS created 6055 and 6056 codes for ACA. They apply to different groups. Entities reporting under section 6055 must show they are in compliance with offering qualifying health coverage, minimum essential coverage, or (MEC). All SchoolCare plans provide minimum essential coverage regardless if they're being offered by a small or large employer. Although small employers are not affected by the employer shared responsibility pay or play provisions, still small employers must report under 6055 because a self-funded medical plan is being provided to employees.

A reminder, all the small municipalities and school districts that are part of SchoolCare are required to report under Section 6055. In both cases employers will have to file with the IRS and send individual statements to employees. Applicable large employers, remember those having 50 or more full-time equivalents, will also report under Section 6056. Full-time equivalent is defined by employer shared responsibility provisions. For this webinar we’ll focus on section 6055 and 6056 reporting for applicable large employers. We do have another recorded webinar available that speaks specifically to 6055 reporting for small employers.

As stated previously, reporting of self-funded plans apply to all SchoolCare groups regardless of size. If there are early retirees, Cobra participants, or non-employees covered under the plan, they must be included in the reporting.

Here are a couple examples: part-time support staff with negotiated health insurance and a contract would need to be reported. A non-employee, former employee for example, widowed spouse, a dependent aged 26 or older that now has their own COBRA coverage; you must include all of them in your reporting. Regarding retirees, you do not need to report for retirees who are enrolled in the school care 65+ plan.

Self-funded health reimbursement arrangements, or HRA's, do not need to be reported separately. If the HRA is tied to a major medical plan such as SchoolCare's yellow open access with choice fund. Said another way, because the yellow plans HRA is embedded into the plan design and supplements the primary medical coverage, the HRA does not need to be reported separately.

We hope that you already know if you're a large employer or not, however, we do know that some employers are on the border of the threshold of 50 full-time employees. This slide applies to employers who have less than 50 full-time employees but have part-time employees as well. You will have to add in the collective hours worked by part-time employees to determine the number of full-time equivalents.

To determine if you are an applicable large employer, or ALE in 2017, you need to look back to each month in the 2017 calendar year to determine if you have 50 or more full-time equivalents. As an example, take January 2017, add up all full-time employees who work 30 hours a week, or 130 hours or more during the month, each of those counts as one. Take everyone else who works less than 120 hours per month, those hours get aggregated together then divided by 120. Now you have your number for January. Do the same calculation for each month during 2017, and then divide by 12. If you have an average of 50 or more full-time equivalents, then you need to do reporting as an applicable large employer or ALE.

Melissa Perreault:

In terms of updates for 2017 there have been minimal changes for the calendar year. First, certain forms of transition relief are no longer applicable, second the affordability threshold has increased, and finally pay or play enforcement is beginning. The IRS will be sending out letters by year-end, if you receive one you must reply within 30 days. As always, if you need assistance or have questions SchoolCare is here to help.

Now, let's move on and talk generally about the "Whys" of reporting. So, what is the IRS doing with this information? With reporting for code 6055 the IRS can administer the individual mandate. We as individuals, are required to have health coverage or be subject to penalties. With reporting for 6056, the IRS can determine if the employer has made an offer of coverage to eligible employees and determine if it's affordable. If the plan is not affordable, the employee could be eligible for a subsidy to assist in the cost of a marketplace plan. Let's also remember ALE's are doing combined reporting in this section. So, in addition to employer mandate components, the IRS will also determine if the individuals of ALE's have enrolled in health coverage or be subject to penalties. So, 6056 covers many parts for ALE's. Was coverage offered? Did the employee take it? Or is the employee subject to a penalty? If coverage was offered, was it affordable? If not, is the employee eligible for a subsidy and the employer subject to penalties?

Remember, despite SchoolCares July to June plan year, employers must report on the calendar year. Individual statements are due each year by January 31st. You can furnish individual statements electronically if you obtain permission from employees. IRS reporting is due February 28th for paper filers or April 2nd if filing electronically.

Lisa Duquette:

Now that we've gone through the Who the Why the What and the When, let's move on to the How. We'll look at how to complete the 2017 IRS forms 1094 and 1095-C.

6056 ALE reporting, you'll need to report that an offer of coverage was made, that it met minimum essential coverage or MEC, and provided minimum value. All SchoolCare plans meet these criteria. You'll also report on every employee to whom you made an offer of coverage whether they took the coverage or not. So, for example, if you have a part-time employee working 25 hours, and you offered coverage for which that employee enrolled, you must report on that individual. On the other hand, if you have a full-time employee who you offered coverage to and declined, again you must report on that full-time employee who declined coverage.

Reporting is required for every full-time employee no matter how short their term of employment. You must also report on those who are no longer your employees, such as retirees and those on COBRA. The required forms are the 1094-C transmittal and the 1095-C individual forms to the subscriber.

Melissa Perreault:

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

An ALE that offers health coverage through an employer sponsored self-insured health plan, must complete form 1095-C parts 1 2 & 3 for any employee who enrolls in health coverage, whether the employee is a full-time employee for any month of the calendar year.

Now let's talk more specifically about form 1095-C. On Form 1095-C we'll begin with part 1. Here is where you enter basic contact information for the employee and applicable large employer. For part 2 here is a listing of codes to 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 some specific examples. These are a continuation of codes to be used in part 2 on line 16, but these codes are safe harbor codes, most common codes here are 2A through 2D.

Lisa Duquette:

Under IRS section 6056 there are three safe harbor provisions that require a little additional explanation. They relate to the ability for an employer to avoid penalties. They include a safe harbor for federal poverty line, form w-2 wages, and rate of pay; we'll show examples of each of these. What's important for you to understand is that employers may choose to use one or more of the safe harbors for all its employees, or for any reasonable category of employees. So, it must be uniform, and a consistent basis applied to employees. The affordability test applies to the lowest cost self only option available to the employee and remember as employers you want to identify if one of these three safe harbors is applicable that you can use in your reporting to avoid penalties.

Melissa Perreault:

Now let's begin digging in to some specific examples using form 1095-C. For the first five we'll assume the following: the employer is an ALE with at least 50 full-time employees or equivalents, 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 in enroll when offered unless otherwise stated in the example, and the employer treats coverage as affordable based on the federal poverty line safe harbor.

So, here's our first example: John is a veteran full-time health insurance eligible employee enrolled in the SchoolCare green plan all calendar year. He, his spouse Julie, and child Jonathan have family coverage. His employer offers the SchoolCare red and green plans. The lowest cost plan is the red plan at $778 per month for single coverage. The employee cost share is 10% or $77.80 per month. The red plan cost increases on July 1st to $817.00 dollars per month and the employee cost remains 10%. The $77.80 per month and $81.70 per month, satisfy the federal poverty level standard of $97.38 per month.

Looking specifically at form 1095-C let's first talk about part 1. Part 1 contains John's information as the employee on lines 1-6. This includes his name and address. Line 7-13 are more specific to the applicable large employer. On these lines you'll want to enter the ALE's name, employer identification number, and contact information.

For part 2, the first piece of information to enter is the planned start month. This is not when the employee begins their coverage, all SchoolCare plans begin in July so 07 is noted. For anyone who enrolled in coverage at any time of year you'll still use 07. There is an exception that we'll go into later on, where you would use something other than 07 as a code. There is 1 exception to this, which we will go over later.

Moving down to line fourteen code 1A is used as a qualifying offer due to coverage satisfying the 2017 federal poverty level standard. Line 15 is left blank which we'll explain in a moment. Line 16 is code 2C as John enrolled in coverage all 12 months.

Now let's talk specifically about line 15. In future examples line 15 may contain the employees cost share for the lowest cost plan offered; when using code 1a on line 14 however, line 15 is left blank due to federal poverty line standards being met. A qualifying offer is by definition, treated as an offer that falls within an affordability safe-harbor. An ALE member is not required to use the qualifying offer method even if it is eligible, and instead may enter on line 14 the applicable offer code and then enter on line 15 the employee required contribution.

Moving down to part 3, the box indicating the employer provided self-insured coverage is checked at the very top. In column A John and his family are listed, in column B. All social security numbers were provided, column C is left blank as it's not needed. Date of birth should not be entered when social security numbers are entered in column B. Finally, coverage was ongoing all 12 months for all members of John's family thus column D boxes are checked.

Lisa Duquette:

For example 2, we'll look at a new hire. Caitlyn is a new full-time employee on August 24th, 2017, and she's eligible for coverage on the 1st of the month following her date of hire. She's offered and enrolls in coverage as of September 1, 2017 in the SchoolCare green plan and remains enrolled in that plan through December 31st. She takes single only coverage. The employer offers the green and red plans. The lowest cost plan is the red plan at $847.00 per month for single coverage. The employee cost share is 15% or $127.05. Regarding the safe harbor this employee cost share does not satisfy the federal poverty level standard for 2017 of $97.38 per month.

As we move to completion of the 1095-C forms Melissa and I won't be reviewing the information in part 1 as it's straight forward with the subscriber or employee information and employer information. Instead we'll move right on to part 2.

As we go to part 2 the employee cost share, the plan start month is 07 as Melissa indicated previously. Then we move on to line 14 for the offer of coverage. For the months of January through August we'll use code 1H because there was no offer of coverage but beginning in September through the end of the calendar year, we'll use code 1E.

Caitlyn was offered minimum value coverage to she, her spouse, and dependents. On line 15 we don't complete anything for the months in which she was not covered or offered insurance, however beginning with the month of September we must list the lowest cost employees share of health insurance for the months that Caitlyn was enrolled and is indicated on the previous slide that's $127.05. For line 16 we have several coats that we need to use. For the months of January through July Caitlyn was not employed, so we're going to use code 2A. In August however, Caitlyn was employed but she was not offered coverage so we would use code 2D. The employee is in a non-assessment period or waiting period and beginning in September through December while she had coverage, we would use code 2C; enrolled in coverage.

And lastly part three, here's where we list the covered individuals. We must first start at the top of the section to the far right and be sure to put an X in the box to indicate that the employer provided self-insured coverage. Then Caitlyn's name is listed under column A, her social security number under column B, as indicated before do not fill in the date of birth if you've got the social security number, and we're not able to use column D because she was not covered for all months, so instead we moved to column E and put a X in the boxes for the months of September through December to indicate that those were the months that she had at least 1 day of coverage.

Melissa Perreault:

Example 3 Lawrence is a new full-time employee hired on August 31st, 2017. He and his wife Linda are enrolled in 2 party coverage August 31st through November 22nd, and family coverage after the birth of baby Lucy from November 23rd through the end of the calendar year. The employer offers the SchoolCare yellow plan only. The yellow plan is $653.00 per month for single coverage, and the employee cost is 5% or $32.65 per month. For the safe harbor the $32.65 satisfies the federal poverty level standard.

Moving down to part 2, again the plan start month of 07 is noted at the top. On line fourteen code 1H is used for January through August as no offer of coverage was made. Although Lawrence enrolled in August, it was not for the entire month thus code 1H must be used. As a qualifying offer meeting federal poverty line affordability standard was made through the rest of the year, code 1a is used September through December. Line 15 is left blank due to codes 1H and 1a being used. In line sixteen code 2a is used to January through July as Lawrence was not employed at that time. Code 2B is used in August as Lawrence was not employed the entire month. Code 2C is then used for September through December as Lawrence enrolled in coverage.

In part 3 the box to indicate the employer provided self-insured coverage is checked, Lawrence and his family are listed in column A, column B lists Social Security numbers for Lawrence and Linda. You'll note baby Lucy's social security number was not provided thus her date of birth must be entered in column C. Both Lawrence and Linda had coverage at least 1 day per month August through December so those boxes are checked. Baby Lucy was born November 23rd, so November and December are checked for her.

Lisa Duquette:

In example four we have Martin who retired in 2013 and remains enrolled in the employers group sponsored health coverage as an early retiree. Martin is enrolled January 1, 2017 through December 31, 2017 in the SchoolCare red plan. He has single coverage. Since he is a retiree and not employed anytime during the year, the lowest cost individual plan and safe harbor are not applicable. We'll go right to completion of part 2 of the form and be sure to mark 07 in the and start month.

Martin's form is quite simple to complete, on line 14 we're going to use code 1G indicating that he is a part-time employee or non-employee covered under a self-funded plan. We do not need to fill out any information for lines 15 or 16 as they relate to the lowest cost plan and safe harbor codes.

And in part 3 be sure to check the box at the top to indicate the employer provided self-insured coverage. Then indicate Martin's name under column A, his social security number under column B, and under column D that he had coverage for all 12 months.

So, what about this non-employee coverage and the use of code 1G? Code 1G can be used when you have an individual 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. If 1095-C is used with respect to this individual, then you can put code 1G on line 14 and check off all 12 months box, or you may use separate monthly boxes for all 12 calendar months.

Melissa Perreault:

Example 5 is an existing employee with a cobra event as of June 30th, 2017. Nancy is a full-time health insurance eligible employee since 2010, she voluntarily terminated at June 30th and accepts COBRA for family through December of 2017. Her coverage again is family, the employer offers the SchoolCare red and green plans, the lowest cost plan is the red plan at $774.00 per month for single coverage, the employee cost is 15% percent or $116.10 per month. the cost increases at July 1st to $844.00 per month plus 2% COBRA administrative fees for a total of $860.88 cents per month. The $116.10 per month does not satisfy the federal poverty level standard of $97.38 per month.

Moving on to part 2, again code 07 is entered for the planned start month. On line fourteen code 1E is used as minimum value coverage was offered to Nancy and her family January through June. As a former employee employed during the calendar year, code 1H should be used for July through December. In line 15 the employee cost share for the lowest cost plan available is noted for the months Nancy was employed, it is not necessary to enter this for July through December as Nancy was not an employee at that time. Line 16 uses code 2C January through June as Nancy was an employee who enrolled in coverage. July through June code 2A is used as she was not employed.

Part 3 covered individuals. Again, the employer provided self-insured coverage boxes checked. Column A contains Nancy and her family's information, column B has all social security numbers noted, column C is skipped, and column D is checked for each family member as all had coverage for all twelve months.

That last example may have been a bit confusing, so let's look at IRS guidelines around former employees. For former employees on Cobra, IRS guidelines state an offer of COBRA continuation coverage that is made to a former employee due to termination of employment, should not be reported as an offer of coverage on line 14. In this situation code 1H must be entered on line 14 for any month for which the offer of COBRA continuation coverage applies, and code 2A must be entered on line 16 without regard to whether the employee or spouse or dependents enrolled in the COBRA coverage.

So, what about Cobra for someone who remains employed? If a COBRA participant remains employed an offer of COBRA continuation coverage should be reported on line 14 as an offer of coverage, but only for any individual who receives an offer of COBRA continuation coverage. Generally, an offer of COBRA continuation coverage is required to be made only to individuals who were enrolled in coverage and would lose eligibility for coverage due to a COBRA qualifying event. But an ALE may choose to extend a similar offer of coverage to a spouse or dependent even if the offer is not required by COBRA.

Lisa Duquette:

Let's move on to the next five examples with a new set of assumptions. In these examples the employer is an ALE with at least 50 full-time equivalent employees. The employer offers coverage through SchoolCare which is considered self-funded coverage. The SchoolCare plan year begins in July. All employees are offered family coverage and enroll when offered unless otherwise stated. The major difference in these examples is that the employer treats coverage as affordable based on form W-2 wages safe harbor. For example 6 & 7 we have spouses who work for the same employer, not uncommon for our large employer groups within SchoolCare.

In the first example Stephanie is a full-time health insurance eligible employee, her husband Timothy also full-time and health insurance eligible, he however waives coverage and is enrolled under Stephanie. So, Stephanie has enrollment for herself and her spouse 2 party coverage for the entire calendar year. The employer offers the SchoolCare red and green plans, the red of course being the lowest cost plan at $778.00 a month for single coverage. The employee cost share is 13% or $101.14 per month. The red plan does increase at July one to $817 and the employee cost share remains 13%. Using the safe harbor for w-2 wages, the $101.14 and then the increased cost at July 1 to $106.21 cents do satisfy the W-2 wage safe harbor, which is less than 9.6% of Stephanie's 2017 w-2 earnings. With this information were now ready to complete Stephanie's 1095-C.

In part 2, the employer offer of coverage, be sure to enter 07 for the planned start month. When you move to line 14 all 12 months Stephanie was offered minimum value coverage to she, her spouse, and dependents. For line 15 the employee required contribution for single coverage must be indicated for all 12 months, and on line 16 code 2C would be entered, enrolled in coverage. Now you might think why are we not using code 2F on line 16? Which is that the coverage meets the w-2 affordability safe-harbor. The reason we don't use that, is the instructions for this IRS form indicate that you should always use 2C over any other code if applicable. So that's the reason we're using 2C and not 2F.

Part 3, again be sure to check the box at the top indicating employer provided self-insured coverage, under the detailed section for the covered individuals both names are indicated along with their social security numbers in column B and in column D we're going to check off that they were covered all 12 months. At this point we're not done with Stephanie and Timothy yet because we must report the Timothy was an employee and offered coverage. So, for his 1095-C form be sure to give him his own as well with his name listed in part 1.

In part 2 of the form, be sure to enter 07 for the plan start month. Even though Timothy did not enroll in coverage, that is the month that the plan began for which he was offered coverage. On line 14 use code 1E indicating he was offered coverage for himself, spouse, and dependents. You'd list the same cost share for Stephanie on line 15, but on line 16 this is where you would use code 2F that it meets the w-2 affordability safe harbor. And for part 3 you would leave it entirely blank because Timothy did not enroll in his own coverage.

Melissa Perreault:

Example 8 is a new hire who waives coverage. Ugo is a new full-time employee hired on March 2nd eligible for health insurance on the 1st of the month following his date of hire and decides to waive coverage. His employer only offers the SchoolCare red plan. The red plan is $731.50 per month for single coverage. The employee cost is 25% or $182.88 per month. The red plan cost increases at July 1st to $761.00 and the employee cost share remains 25%. The $182.88 per month satisfies the W-2 wage safe harbor, however the increased cost of $190.25 per month at July 1st does not.

For part 2, again for plan start month enter 0 7. For line 14 no offer of coverage was made January through March so code 1H is used. A minimum value offer of coverage was made to Ugo and his family April through December, thus code 1E is used. In line 15 the employee contribution to the lowest cost health plan offered is noted for April through December, as Ugo was eligible and offered coverage those months. You'll also know the increase in cost in July on line 15. On line 16 code 2A is used in January and February as Ugo was not employed. In March Ugo was employed but in a waiting period for coverage, thus code 2D is used. Code 2F is indicated April through June as coverage satisfied the W - 2 safe harbor provision. you'll note that there are no codes used July through December on line 16 as none are applicable and coverage does not satisfy the W-2 wage safe harbor these months.

Moving down to part 3, you'll note that it is entirely left blank including the top box indicating employer providing self-insured coverage, as Ugo did not have coverage or enroll.

Lisa Duquette:

In example 9, we have a full-time employee not offered coverage. Victoria works 31 hours per week but is not offered employer sponsored health coverage. When we go to complete Victoria's form, we fill in her information in the top section and in part 2 here's our exception for the planned start month: because she was not offered coverage the planned start month is 00. For line 14 we're going to indicate that there was no offer of coverage for all twelve months using code 1H. There are no further entries on line 15 or 16. And in part 3 as we've seen for other individuals who've waived coverage, the same applies to those who are not offered coverage, part three is left entirely blank.

Melissa Perreault:

Example 10 is an employee who retires during the year. Wendy is a full-time health insurance eligible employee who retires August 31st and remains enrolled in the employers group sponsored health coverage through the end of the calendar year. Her coverage is two party for herself and her spouse William. The employer only offers the SchoolCare green plan at $876.00 per month for single coverage. The employee cost share is 20% or one $175.20 per month cost increases to $893.50 per month at July 1st. And the employee cost share remains 20%. As of September 1st, as a retiree Wendy pays 100% of the cost the $175.20 and the $178.70 satisfied the W-2 wage safe harbor.

For Part 2, enter the plans start month of 07 in line 14 code 1E is entered through August as an offer of coverage was made to Wendy and her family. As Wendy retired 8/31 code 1H is used September through December. Line 15 contains the applicable employee cost share for the plan offered for the months Wendy was employed. September through December is left blank as Wendy was retired. Line 16 uses code 2C through August as Wendy enrolled in coverage. 2A is used for the months Wendy was retired as she was not an employee.

For part 3 the box indicating employer provided self-insured coverage is checked, Wendy and her husband's information is listed, along with their social security numbers, and box D has all 12 months of coverage checked. Although Wendy was retired, she and her spouse were still enrolled and had coverage all calendar year.

Lisa Duquette:

Moving on now to the next 5 examples. We have that same employer who is an applicable large employer with at least 50 full-time equivalent employees, coverage being offered through SchoolCare which is a self-funded plan, as always, the SchoolCare plan year begins in July, and all employees are offered family coverage and enroll when offered unless otherwise stated. The difference in these examples is the employer treats coverage as affordable based on the rate of pay safe harbor.

For example, number 11 we have a new hire during the year who subsequently terminates employment and declines COBRA. Abraham is hired on February 9th, 2017, he is eligible for health insurance on the 1st of the month following 30 days employment. His employment is then terminated on June 30th, 2017 and he does not elect COBRA. Abraham then does have coverage from April 1st through June 30th and enrolls in the SchoolCare yellow plan. The employer offers the SchoolCare yellow plan at a cost of $635.50 per month for single coverage. The employee cost share is 0. Of course, the 0-dollar cost satisfies the rate of pay safe harbor, which indicates that the cost must be less than 9.69% of the employee’s rate of pay at the beginning of the coverage period with adjustments permitted for an hourly employee.

So, we'll complete Abraham's 1095-C in part 2 we'll enter 07 for the plan start month. On line 14 for the months of January, February and March code 1H is used as Abraham was not offered coverage. For the months of April through June he was offered coverage for he, his spouse, and dependents. So, we'd use code 1E. Beginning in July when Abraham is no longer employed, we would use code 1H again indicating no offer of coverage. On line 15 we enter the employee required contribution for the lowest cost plan, only for the months in which Abraham is enrolled and eligible for coverage, and that cost is 0. On line 16 we'd use code 2A for the month of January because Abraham was not employed any day of that month. In the months of February and March code 2D is used because Abraham was working at least 1 day during those months, however he was in a waiting period. His coverage was not effective until 1st of month following 30 days of employment. Then beginning in April when he is enrolled in coverage through June, we would use code 2C, and lastly for the months of July through December we would return to using code 2A because he was not employed any days in those months.

For part 3 at the top be sure to check the box that he was offered employer-provided self-insured coverage. On line 17 Abraham's information, name, and social security number are included, and we would use the boxes in column E for only the months that Abraham was covered checking the months of April through June.

Melissa Perreault:

Example 12 a Cobra participant Bryan is a former employee who elected 18 months of COBRA coverage ending April 30th, 2017. Coverage is for Bryan, his spouse, and child January through April. The lowest-cost plan information is not applicable as a Cobra participant, nor are any safe harbors.

In part 2 the plan start month is still 0 7 on line 14 code 1G is used for the months of Cobra coverage. As Bryan was not an employee for any month of the calendar year code 1H is then entered for the rest of the year as no offer of coverage was made. Line 15 is left blank as Bryan was not employed at any time of the year. On line 16 code 2A is used for all 12 months as again Bryan was not an employee all calendar year.

In part 3 the top box again is checked off and although Bryan was not an employee, he and his family had coverage January through April, thus those boxes are checked off and their information is entered in columns A and B.

Lisa Duquette:

Example 13 is a little more complicated but certainly representative of a situation that you may have to report on. We have an employee who retires during the year and then turns age 65. Cheryl is a full-time health insurance eligible employee, she retires on June 30th and continues her coverage as a retiree. However, on October 1st she becomes eligible and enrolls in Medicare and the school care 65+ plan. However, Candace her spouse is not eligible for Medicare and remains on the employer's plan as the subscriber beginning October 1, 2017. So, we have enrollment January through September in the SchoolCare green plan for both Cheryl and Candice but beginning in October through December the spouse Candice is the only individual covered.

Regarding the lowest cost individual plan, we need to calculate this for the months that Cheryl is employed. The employer offers the SchoolCare red and green plans the lowest cost plan is the red plan at $819.50 a month for single coverage. The employee cost share is 20% or $163.90 per month. This amount satisfies the rate of pay safe harbor that the employer is using.

For Cheryl's 1095-C form part 2 we indicate 07 for the plan start month. On line fourteen 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. On line 15 for the months of January through June we enter the safe harbor dollar amount calculated on the previous slide. On line 16 for the months of January through June we indicate code 2C that she is enrolled in coverage, but beginning in July when she retires, we use code 2A indicating that although she had coverage, she was not employed any day during those months.

And in part 3 of the form we first must remember to check the box for employer provided self-insured coverage, then we list the covered individuals along with their social security numbers. Now for Cheryl she was enrolled and provided coverage at least 1 day for the months of January through September, so those are the boxes checked off. But for Candace her spouse who remained on the plan the entire year.

Melissa Perreault:

Example 14 is an ongoing variable hour employee Dudley is an ongoing variable hour worker. His employer has adopted the following ACA compliance schedule, number one standard measurement period May 1st through April 30th, number two a standard administrative period May 1st through June 30th, and number three a standard stability period July 1st through June 30th.

On July 1st, 2017 Dudley enrolled in the SchoolCare yellow plan reflective of the standard measurement period it was determined that Dudley performed an average of 32 hours of service per week. Consequently, he was offered and accepted an opportunity for plan participation for the standard stability period. His coverage is single, and the employer offers a SchoolCare yellow plan. The yellow plan is $766.50 per month for single coverage. The employee cost share is 100%. Clearly the $766.50 per month does not satisfy the rate of pay safe harbor.

For part 2, we enter 07 for the plan start month. Line 14 contains code 1H through June as no offer of coverage was made to Dudley. Dudley and his family were offered coverage July through December thus code 1E is entered. Line 15 has information for the month's coverage was offered. In line 16 code 2D is used through June as Dudley was in a non-assessment or measurement period. Code 2C is then used for the months he enrolls in coverage.

Moving down to part 3, we check the box again for employer providing self-insured coverage. Dudley's information is listed including his social security number, and the month of July through December are checked as that's when Dudley had coverage.

Lisa Duquette:

And our last example number 15, is a seasonal worker reclassified to full-time status. Eileen was hired July 1, 2017 as a seasonal worker, and on September 1st she was then hired on as a full-time health insurance eligible employee beginning on the first day of employment. Eileen however did waive coverage. We still must complete the lowest cost individual plan for the 1095 reporting. The employer offers the SchoolCare yellow plan at a cost of $678.00 a month for single coverage and the employee cost is 50% or $339.00 per month. This amount does not satisfy the rate of pay safe harbor as 9.69% of the employees' rate of pay.

In completing the 1095-C part 2, we would still enter 07 for the planned start month. On line 14 for the months of January through August code 1H is indicated. On line 14 for the months of January through August 1H is entered indicating no offer of coverage. Beginning September through December code 1E would be indicated as coverage was offered to Eileen and her family members. On Line 15 for the months of September to December only, the cost information would be entered for the employee required contribution for the lowest cost plan. On line 16 for the months of January through June when Eileen was not employed, code 2A would be used. Beginning in July when Eileen was hired as a seasonal employee code 2 B would be used, indicating that she is a part-time employee. On line 16 for the months of September through December no code is entered as Eileen was neither enrolled in coverage nor did the cost of the coverage meet a safe harbor provision. And lastly in part 3, it would be left entirely blank as Eileen waived coverage.

Melissa Perreault:

Now that we've discussed form 1095-C and possible scenarios. Let's now move to the transmittal form; form 1094- C. Here is part 1 of form 1094- C. This is a transmittal form to report aggregate level data. In part 1, complete numbers 1 through 8 with basic ALE-8 information, including name and contact info. Leave lines 9 through 16 blank unless you are a designated governmental entity. Line 17 is grayed out and reserved thus leave this blank. Line 18 asks for the total number of 1095-C forms you'll be submitting. Line 19 asks if this is the authoritative form for the employer, typically there is only one form 1094 C per employer group, those who mark this box know only need to complete part 1. Although most groups will be marking this yes.

Lisa Duquette:

On part 2 of the 6056 1094 C transmittal form we have first line 20, here's where you indicate the total number of forms 1095-C that are being submitted. Generally, this is the same number used in part 1 unless you're reporting on behalf of another ALE member. On line 21 the question is whether the ALE is a member of an aggregated group, for most of you you'll be entering no, and if you do you do not complete part 4 of the form. On line 22 this is certification of eligibility and you want to check all that apply as it can impact your ability to avoid penalties under the pay or play provisions. You will note that there's only 2 options now, ENC were available previously through transition relief but are no longer available; so, your choice is do you meet any certification of employee under A the qualifying offer method, or D the 98% offer method, or both?

Let's take a closer look at box A qualifying offer method. It is an alternative reporting method that indicates the employer is providing minimum value plan to its employees and the cost for this employee only coverage does not exceed $97.38 per month for 2017, and that at least the minimum essential coverage is offered to spouses and dependents. The offer must be for all months during the year in which the employee was a full-time employee and the employer was subject to shared responsibility rules. This box you would check off if you were using the federal poverty limit safe harbor as demonstrated in examples 1 through 5 earlier in the presentation. And box D the 98% percent offer method this indicates that an employer is making an offer of affordable coverage for all months during the calendar year that meet minimum value to at least 98% of its full-time employees. If this is the case, you most certainly want to check this box. Hopefully as an employer you'll all be able to check this box.

Melissa Perreault:

Moving down to part 3 on Form 1094 see this is summary information for all employees used to report certain information on a monthly basis. We'll review these columns in the next few slides.

In column A, if minimum essential coverage is offered to at least 95 percent of full-time employees and their dependents for an entire calendar year, enter in X in line 23. If minimum essential coverage is offered for only certain months enter an X in the yes check box for each applicable month. If an employee is in a limited non assessment period i.e. a waiting period or an initial measurement period, they are not counted.

Moving on to column B if you checked off item D in part 2 line 22 indicating the 90% offer method you do not need to complete column B here. If not, you'll need to report full-time employee counts for each month of the calendar year. Again, do not count those in a waiting period or a limited non assessment period. For column C you'll report the total number of employees. Use either the first or last day of the month, the 12th day of each month, or the first or last day of the first payroll period for the month to report this. And in column D you'll indicate if the employer is part of a controlled group.

If you need additional information or resources, you can visit these links for form instructions and frequently asked questions.

Lisa Duquette:

Regarding IRS communications to large employers some of our member groups have reported to us that they've been notified by the IRS that at least one of their employees have received Marketplace subsidy. We strongly recommend appealing if the employee was offered coverage and send along information as proof to the IRS. If an appeal is approved the IRS will ask for a letter clarifying that all plans meet minimum value. Good news SchoolCares actuary has produced a letter which we can provide to you. If needed, please reach out to one of our staff members.

In addition, we understand and have notified you that the IRS will be sending communications regarding penalties for the 2015 calendar year. We have yet to see one of those letters but if you receive one please note you must reply within

30 days and SchoolCare is here to assist you in providing any supporting documentation.

And lastly our next steps, all employers should send any needed updates and changes to SchoolCare by December 13th. This includes new enrollments, terminations, adjustments, and any individuals with missing social security numbers. SchoolCare will capture this data and provide a file to you the employers by December 20th, 2017 containing all covered individuals, social security numbers, and dates of birth, along with the months covered; the information that you need to complete part 3 of the 1095-C forms. As employers you have 2 additional reporting deadlines, by January 31st, 2018 you must provide the individual 1095-C forms to all those employees and non-employees covered under your health plan. In addition, you then must take copies of those forms along with the 1094- C transmittal form and submit to the IRS either by February 28, 2018 if reporting by paper, or if electronically by April 2nd, 2018.

Well this is a wrap folks we're certainly here for questions, you can reach out to SchoolCare staff at 1-800-562-5254