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THE BUSINESS JOURNAL OF WESTERN MASSACHUSETTS

Getting a Grasp on the New Health-benefits Reporting Rules

BusinessWest on January 12, 2016 in **Banking and Financial Services**

Delayed Reaction

By *BOB CUMMINGS*



For many employers, their first challenge with the Affordable Care Act (ACA) may be compliance with the new reporting requirements.

Under the ACA, the Internal Revenue Code added IRS Section 6056, which requires 'applicable large employers' to file information returns with the IRS and provide statements to their full-time employees about the health-insurance coverage that the employer offered. Under the terms of the ACA, an applicable large employer generally means an employer that had 50 or more full-time employees (including full-time equivalent employees) in the preceding calendar year.

Last month, the IRS released IRS Notice 2016-4, which delays Sections 6055 and 6056 reporting for the 2015 reporting year. Forms 1095-B and 1095-C must now be distributed to employees by March 31, as opposed to the original due date of Feb. 1. If filing by paper, forms 1094-B, 1095-B, 1094-C, and 1095-C must be filed with the IRS by May 31 (changed from Feb. 29). If filing electronically, the forms are due to the IRS by June 30 (changed from March 31). The extended deadlines apply to all filers automatically. In summary, the deadline for distributing forms to employees has been extended two months, while the filing deadline with the IRS has been extended three months.

The original due dates were aligned so that individual taxpayers could use the information contained in the forms to file their individual tax returns. Specifically, the information is needed by individuals to help determine whether they were eligible for the premium tax credit or subject to the individual mandate. The IRS has granted this automatic extension due to the fact that insurers, self-insuring employers, and other providers of minimum essential coverage need additional time to adapt and implement systems and procedures to comply with the reporting requirement.

As a result of this delay, if individuals have not received the information by the time they file their individual tax return, they may rely upon other information received from employers or coverage providers when filing their returns. They need not amend their returns once they receive the forms, but they should keep them with their tax records.

The IRS reinforced that an employer should make a good-faith effort with reporting. If an employer does not comply with the extended deadlines, the employer could be subject to penalties. Applicable large employers must report whether an individual is covered by minimum essential health benefits coverage, and that an offer such was made to each full-time employee.

Applicable large employers will need to file IRS Form 1094-C, Transmittal of Employer-provided Health Insurance Offer and Coverage Information Returns, and IRS Form 1095-C, Employer-provided Health Insurance Offer and Coverage, to report the information required. These 1095-C forms are to be provided by Jan. 31 for the calendar year 2015 coverage periods. (The final versions of these forms will not be available until February.)

What qualifies as an offer of 'minimum essential health benefits coverage?' Well, the IRS says it is an offer that satisfies all of the following criteria:

1. An offer of minimum essential coverage that provides minimum value and includes 10 minimum essential healthcare services: outpatient services, emergency services, hospitalization, maternity/newborn care, mental-health and substance-abuse services, prescription drugs, rehabilitation (for injuries, disabilities, or chronic conditions), lab services, preventive/wellness programs and chronic-disease management, and pediatric services;
2. The employee's cost for employee-only coverage for each month does not exceed 9.5% of the mainland single federal poverty line divided by 12; and
3. An offer of minimum essential coverage is also made to the employee's spouse and dependents (if any).

These new employer-health-benefits reporting forms and instructions look complicated even to benefits professionals, and they will require gathering quite a bit of information. For example, Form 1095-C is a form an employer is supposed to use to give employees the health-benefits information they need to fill out their own tax forms and insurance coverage applications, and to give the Internal Revenue Service, the Employee Benefits Security Administration, and the U.S. Department of Health and Human Services the information they need to detect individual taxpayers' violations of the Patient Protection and Affordable Care Act (PPACA) rules.

An employer is also supposed to send the IRS a 1094-C summary form, or report, on the information provided in the 1095-C forms, along with copies of the 1095-Cs.

The IRS and other agencies are supposed to use the 1094-Cs, together with the 1095-Cs, to detect any problems with employer compliance with the PPACA employer mandate rules described in Internal Revenue Code Section 4980(H).

This is a major new compliance burden for employers, and the IRS and other federal agencies will most likely show some compassion initially for employers who are making a good-faith effort to comply with the rules.

Most benefits-compliance professionals believe the IRS will begin a major enforcement initiative by this May, because as many as 50,000 employer-benefit plans may be audited over the first two years for compliance. Employers should do everything possible to avoid compliance traps that could trigger an audit.

Among the compliance challenges is the requirement that employers must track full-time-equivalent employees. Basically an employer must track all of their part-time employees, even if those employees may

likely not get the 1095-C forms. If a part-time employee becomes full-time at any point in the year, even for only a short period, then the employer has to provide the 1095-C form for that individual.

One of the major challenges confronting employers who will have to comply is the fact that so many are still relying on a paper-based benefits-administration system. It will be virtually impossible to do the tracking and the reporting without an automated benefits-administration system. This really spells the end of paper-based benefits administration for employers subject to these new tracking and reporting requirements. Employers will have to adopt an online benefits-administration technology platform in order to perform both the tracking and reporting requirements under Section 6056.

The good news is that there are a number of outstanding benefits-technology solutions available for employers today. Forward-thinking benefits professionals are rapidly incorporating and delivering technology platforms across their client base.

The benefits business today is also a technology business. From ACA reporting to employee communications; benefits enrollment and administration to HRIS functionality like paid-time-off tracking or onboarding, an extensive array of software and employee services can be provided on one fully integrated platform. This means, as an employer's benefits needs evolve, benefits professionals can provide added functionality, configurability, sophistication, and services.

Are you ready to navigate the new world of healthcare compliance and reporting? Ask your benefits consultant if they are ready to advise and assist you.

Bob Cummings is CEO and managing principal of Northampton-based American Benefits Group; (413) 727-7211.