



# ACA Information Reporting

## Getting Ready for 2017 Webinar

September 8, 2016

# Presented by

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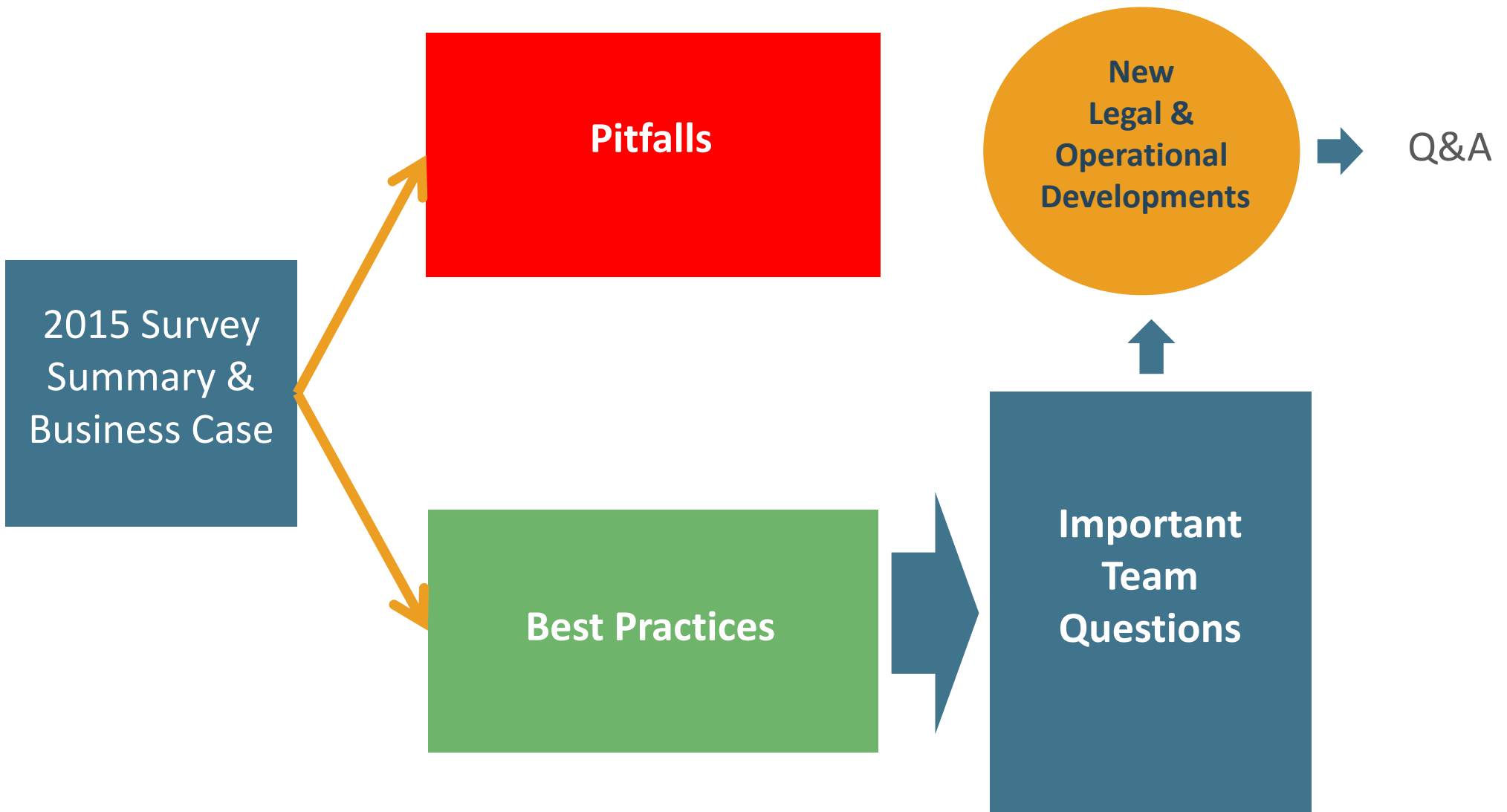
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# Agenda



# Survey Summary

## KEY TAKEAWAY #1

Key Takeaway #1 – 100% confidence re: IRS reporting:

**Yes – 20%    No – 40%    Unsure – 40%**

## KEY TAKEAWAY #2

Key Takeaway #2 – Areas requiring more confidence:

**Line 14 – 55%**

**Line 16 – 45%**

**Determining eligibility – 40%**

## KEY TAKEAWAY #3

Key Takeaway #3 – If a penalty:

**Retain counsel – 50%**

**Call broker – 40%**

## KEY TAKEAWAY #4

Key takeaway - #4 – Completeness/integrity of source data:

**75%**

# Survey Summary

## KEY TAKEAWAY #5

Key Takeaway #5 – Most important vendor characteristics:

Data Management – 80%  
ACA Legal Expertise – 75%

Quality Assurance – 75%  
Data Security – 70%

## KEY TAKEAWAY #6

Key Takeaway #6 – Hire an outside firm to do QA

25%

# ACA Information Reporting

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## ***Monitoring Compliance with the Individual Mandate and Health Plan Enrollment***

- Form 1094-B, *Transmittal of Health Coverage Information Returns*
- Form 1095-B, *Health Coverage*

## ***Monitoring Compliance of Applicable Large Employers with the Employer Mandate***

- Form 1094-C, *Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns*
- Form 1095-C, *Employer-Provided Health Insurance Offer and Coverage*

# Why 2017 Matters

- How will the IRS know?



**“Every battle is won before it is fought.”**

**- Sun Tzu**

# Penalty Payments under the Mandates

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## ■ The Individual Mandate

- \$695 per uninsured adult in 2016
- Government agencies expect that about 3 million people will pay the penalty for any given month in 2016
- As of October 2015, roughly \$2 billion in penalty payments had been collected from people who were uninsured during 2014

## ■ The Employer Mandate

- Government projections include payments of employer mandate penalties of \$228 billion over 2017-2026.
- Increased costs for employers who pay penalties are projected to result in lower wages and reduction of other revenues by \$50 billion (for a net of \$178 billion)

*\*Source: Congressional Budget Office Report: Federal Subsidies for Health Insurance Coverage for People Under Age 65: 2016 to 2026 (March 2016)*



# Current Penalties under IRC 6721 and IRC 6722 – The IRS Punch Line



## Large Business with gross receipts of more than \$5 million

Time of filing	Returns due on or after 1-1-6 (with inflationary adjustments)
Not more than 30 days late	<b>\$50</b> per return/\$529,500 maximum
After August 1	<b>\$260</b> per return/\$3,178,500 maximum
Intentional disregard	<b>\$520</b> per return (with potential for increased penalties in case of intentional disregard)

## Small Business with gross receipts of \$5 million or less

Not more than 30 days late	<b>\$50</b> per return/\$185,000 maximum
After August 1	<b>\$260</b> per return/\$1,059,500 maximum
Intentional Disregard	<b>\$520</b> per return (with potential for increased penalties in case of intentional disregard)

\*Penalty rates depend on the tax year of return and are subject to change under IRC Section 6721(f).

\*Penalty waivers may apply if failure due to reasonable cause and not due to willful neglect.

# Why 2017 Matters

Q.

*Based on the 2015 ACA information reporting process, what are the common trouble areas and what can be done to better prepare for 2016 reporting?*

# Why 2017 Matters

# A.

*Common  
Pitfalls*

- 1 **Bad Data**
- 2 **Wrong Line 14 – Offer of Coverage codes**
- 3 **Wrong Line 15 – Lowest Cost Premium**
- 4 **Wrong Line 16 – Employee Status/Safe Harbor codes**
- 5 **Name/TIN Match**
- 6 **Missing/Too Many Form Recipients**
- 7 **Missing Controlled Groups**
- 8 **Missing/Wrong Dependents (SI)**
- 9 **Other**

# Collecting Data

**Social Security  
Numbers of  
employees,  
dependents and  
spouses (self-  
insured plans)**

**Waivers**

**Information  
for each plan  
(off-cycle plan  
years)**

**Number of full  
time employees  
for each month**

**Total number  
of employees  
and full time  
equivalents**

**Employee only  
share of low  
cost premium**

**Controlled  
group**

**Other**

# Collecting Data

- The data must be provided for each expected recipient and covered individual (if SI) in each controlled group
- The data lives in the employer's payroll, HR, and benefits system(s) as well as in your carrier's enrollment system
- The data must be mapped into the respective platform that is handling the IRS reporting
- The data must have a common, unique employee identifier to link the data
- Internal Controls should be developed to further mitigate risk (e.g., expected recipients, expected enrolled, expected code counts)
- The data should be reviewed periodically to ensure that it is complete and credible

# Assigning Correct Line 14 Codes

Slotting non-benefit eligible new hires into limited assessment periods

Eligibility start month for non-benefit eligible employees

Mid-month new hires

Mid-month terminations

Lowest monthly premium (1A vs. 1E)

Unions

Dependents (SI)

Code conflicts with line 16

# Assigning Correct Line 16 Codes

Waivers

New hires

Terminations

Lowest monthly  
premium

Unions

Dependents  
(SI)

Code conflicts  
with line 14

# Names & Social Security Numbers

- Initial solicitation if not collected at time of hire
- W-2, W-4 and I-9
- Collect names changes based on life event(s)
- Retain in employee files
- If incorrect, need to attempt to collect annually
- Backup withholding notice
- If IRS sends notice... solicit via any modality
- Solicitation by mail
- 3 attempts – open enrollment, again, by December 31<sup>st</sup>
- Employers must show reasonable efforts and document
- Cannot use notice as grounds for termination



# Why 2017 Matters

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Q.

*What are some of the emerging best practices based on these pitfalls?*

# Why 2017 Matters

## A.

1 Review data early and often

2 Make sure disparate data has a unique employee ID to link data

3 Conduct a gap assessment to collect & verify data voids, such as dependents and waivers

4 Objectively review last year's forms data

5 Perform a data diagnostic prior to mailing forms and filing with the IRS

6 Verify employee names and SSNs

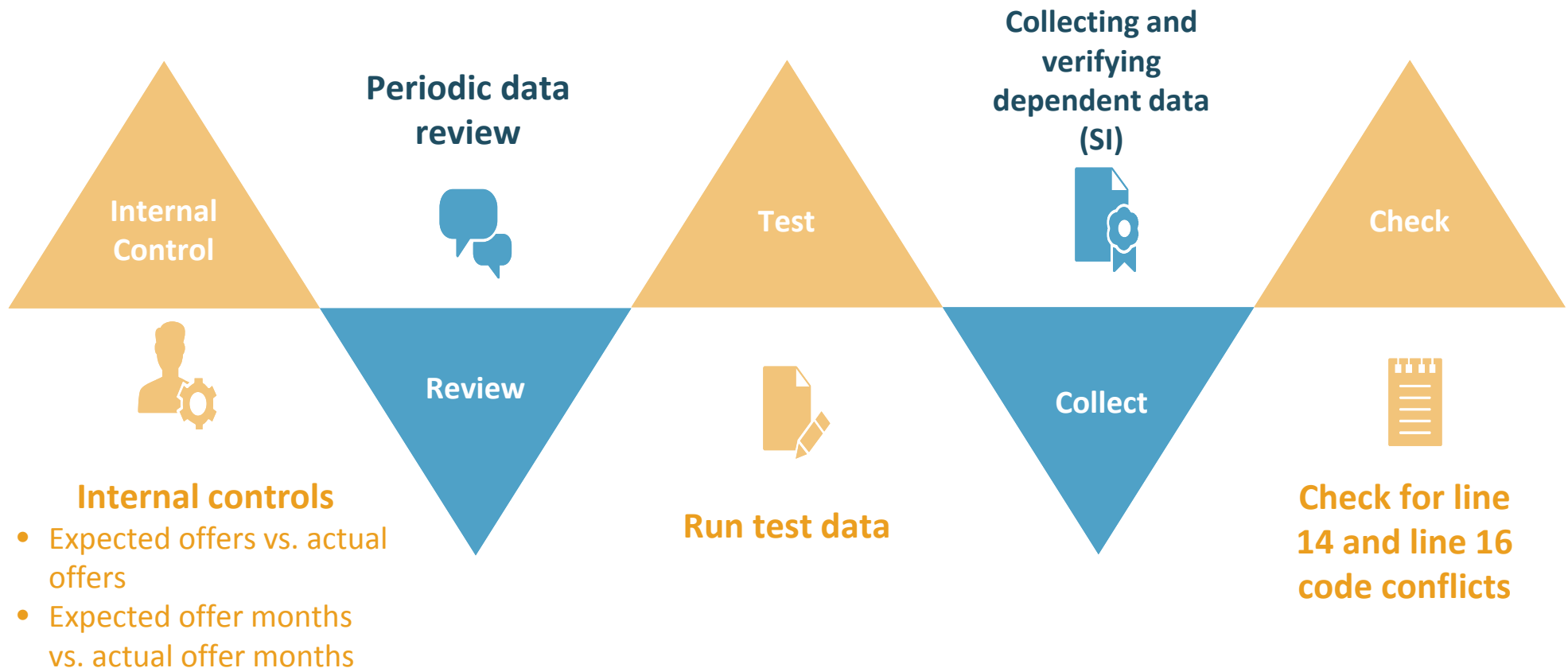
7 Take a "data test drive"

8 Document and retain proof to provide audit trail

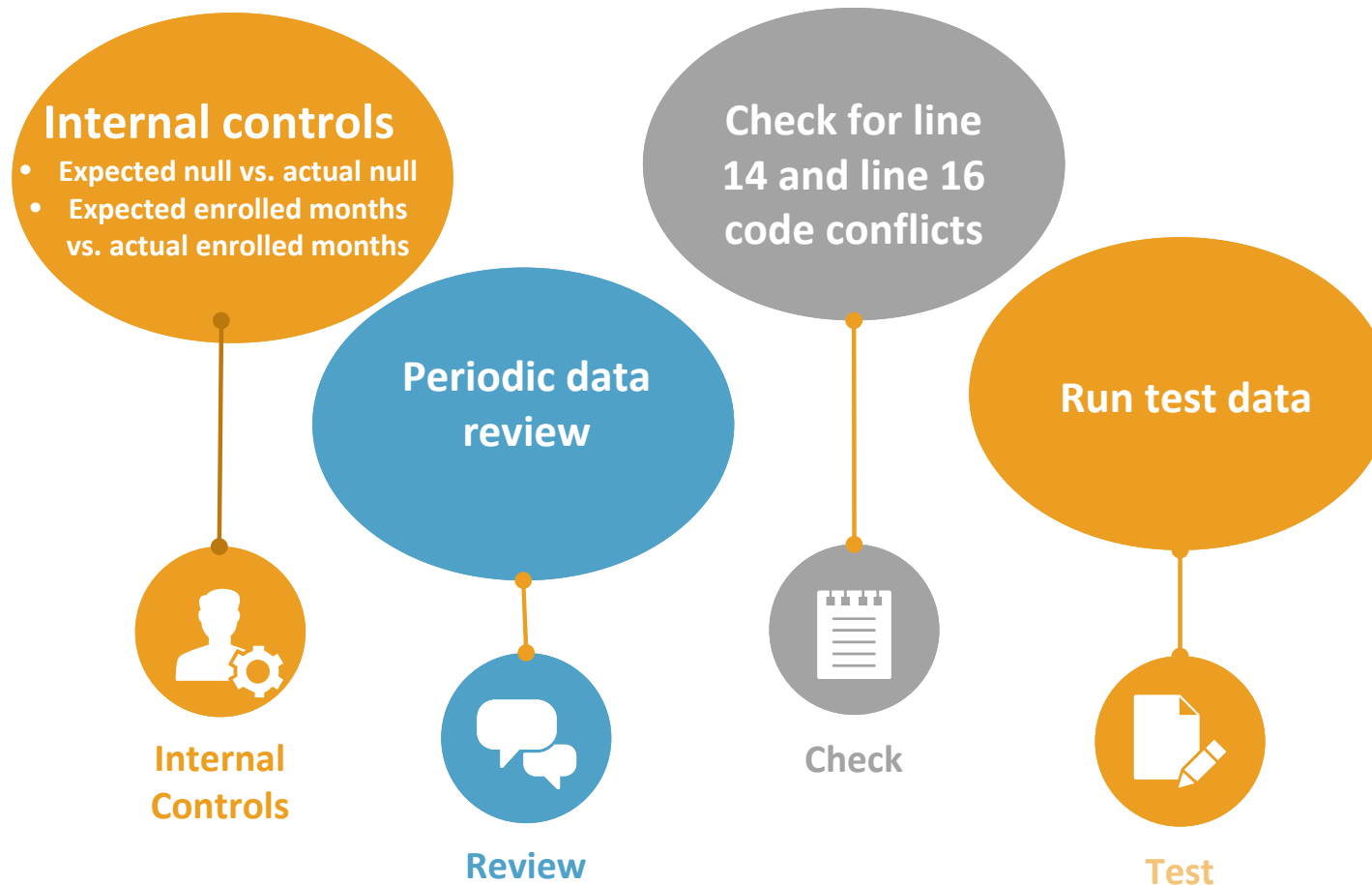
9 Maintain records of controlled group, plan documents and communications/reporting, eligibility methodology, affordability calculations

10 Other

# Assigning Correct Line 14 Codes



# Assigning Correct Line 16 Codes



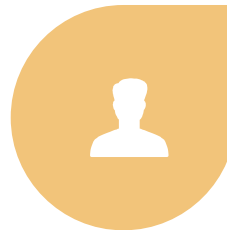
# Names & Social Security Numbers

Populate W-2 information using W-4 information (Employee's Withholding Allowance Certificate)



Compare W-2 data to W-2/W-4 data

Collect names changes based on life event(s)



Retain changes in employee files to provide an audit trail

# Get Started Now

## 10 Questions You Should Ask Your Team

1. How was our data collected last year? Can someone provide a flow chart?

2. How much time did it take to assemble the data?

3. Can we improve our data collection process? If so, how?

4. How can we more accurately obtain correct SSNs?

5. Can we rank the Pitfalls from “most problematic” and address the problem areas?

6. Can we implement the Best Practices?

7. Is our data ready for 2016 forms?

8. Do we have a way to perform a data diagnostic?

9. What internal control and QA measures do we have?

10. Do we have assistance if we receive a Marketplace Notice or a notice of an IRS penalty?

# Corrections of Forms

**Form 1095-B, Form 1094-C, and Form 1095-C  
can be corrected**

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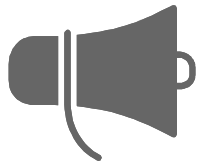
- There are numerous ways to identify errors
- These errors must be fixed:
  - name, taxpayer identification number (TIN), employer EIN, line 14, 15 or 16 or Part III related to covered individuals
- Corrections should be filed as soon as possible with the IRS and copy of the corrected return furnished to the individual
- See Publication 5165 regarding electronic corrections using AIR
- Develop an internal review process

# New Developments



## New draft forms released for 2016 reporting

- 1094-C transitional relief code has been removed
- 1095-C-Line 14-two new codes for conditional offers to employee's spouse
- New COBRA codes
- Filing deadlines-regular due dates



**Good faith standard no longer available; must meet standard of reasonable cause to waive penalties**



**Proposed Regulations issued July 29, 2016**

**Marketplace Notices and IRS Penalty Notices**

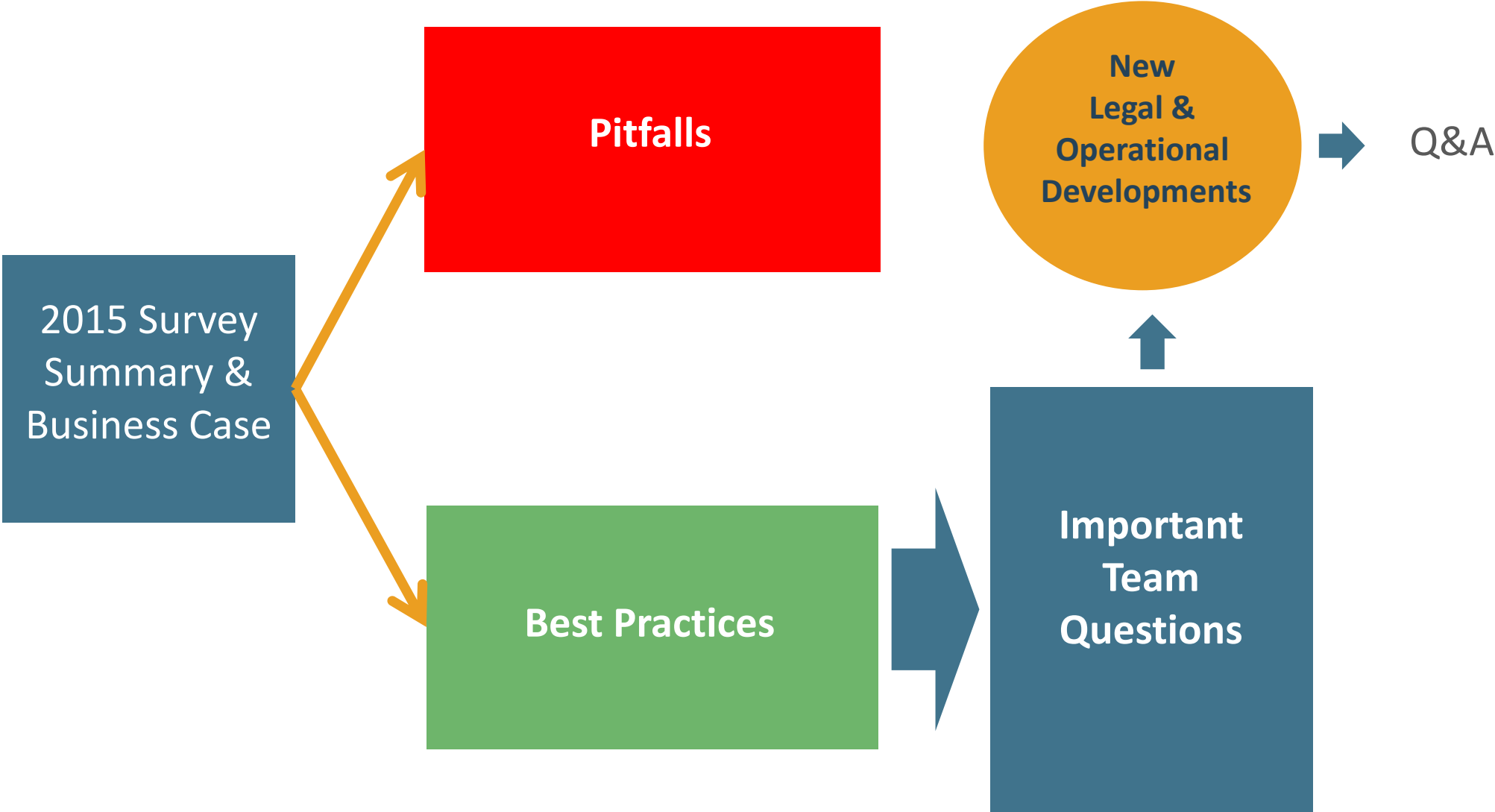


**Additional Considerations**





# Summary



# Q&A from the Audience

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