

ACA reporting requirements for ALEs and small businesses

In March 2010, the United States enacted the comprehensive healthcare reform law known as the Affordable Care Act (ACA), often referred to as Obamacare. Its goals included increasing health insurance coverage for the uninsured and implementing reforms to the health insurance market. Over the years, many people have benefited from its provisions.

A large number of citizens obtain their health insurance through their employer as part of their benefit plan. Thus, the Affordable Care Act includes requirements for employers regarding healthcare coverage. ACA reporting is the act of showing the government that your organization is meeting those obligations.

Note that the size and structure of a company's workforce determine its responsibility. Understanding what the government expects, and properly supplying this information, is vital. Failure to measure up to standards or report correctly can result in hefty fines.

Since no employer wants problems with the Internal Revenue Service (IRS) – the governmental agency that handles ACA compliance – smart organizations take measures to understand expectations. To that end, here are five basic things to grasp about ACA reporting requirements.

1. Know if you are an ALE

Some of the provisions of the Affordable Care Act apply only to what are known as Applicable Large Employers (ALE). ALEs are employers with 50 or more full-time employees, including full-time equivalent employees. Determining ALE status is easy for some companies.

Others may need to use this method:

1. Count the number of full-time employees (employees who average, per calendar month, 30 hours of service per week or 130 hours of service per calendar month).
2. Count the number of full-time equivalent employees (aggregate hours of service by non-full-time employees [max of 120 hours of service per employee] divided by 120 per month).
3. Add these two counts together. If the sum is equal to or greater than 50 per month for the prior calendar year, the IRS labels you an ALE.

2. Understand the employer mandate

At the heart of the Affordable Care Act are the goals of better health coverage and more people covered. To

help accomplish these objectives, the ACA includes what is known as the employer mandate. It states that ALEs must offer health insurance that is affordable and provides minimum value to 95% of their full-time employees and their children up to the end of the month in which they turn age 26. If they don't, they're subject to penalties.

For ACA purposes, “affordable” means employee contributions for employee-only insurance coverage do not exceed a certain percentage of an employee’s household income. For 2023, [the affordability threshold is 9.12 percent](#), down from 9.61 percent in 2022. Providing “minimum value” means an employer-sponsored health plan covers at least 60 percent of the total allowed cost of benefits that are expected to be incurred under the plan.

When an ALE does not offer an acceptable insurance plan, employees often turn to the Health Insurance Marketplace. The Marketplace – also known as The Exchange – is a shopping and enrollment service for medical insurance created by the ACA. Employer penalties come into play if at least one full-time employee receives the premium tax credit for purchasing coverage through the Marketplace. Generally, a full-time employee will receive the premium tax credit because the minimum essential coverage (MEC) offered was not affordable, did not meet the minimum value, or because the employee was not one of the at least 95 percent of full-time employees offered minimum essential coverage.

Basically, an ALE can incur an employer mandate penalty (also known as an [employer shared responsibility](#) payment) in one of two ways (but not both):

- **The “A” penalty:** It fails to make an offer of group health coverage to at least 95 percent of its full-time employees.
- **The “B” penalty:** It makes an offer of coverage deemed unaffordable or that does not meet the ACA minimum value standard.

Noncompliance comes at a significant cost, so it makes sense for employers to regularly re-examine what they are (or are not) offering in terms of group health plans. For 2023, an ALE not offering coverage at all (“A” penalty) pays \$2,880 (\$240/month) multiplied by 30 less than the total number of full-time employees. The “B” penalty is \$4,320 (\$360/month) multiplied by the number of full-time employees who receive a premium tax credit in the Marketplace.

3. Become familiar with the proper ACA forms

ALEs are expected to annually report to the IRS on whether they offered coverage to employees. If they do, they're also required to provide information about that coverage. The information on these forms is used to determine whether an ALE owes a payment under the employer shared responsibility provisions and whether employees are eligible for the premium tax credit. Failure to report incurs a penalty. Thus, human resources personnel should thoroughly familiarize themselves with the following:

[Form 1095-C, Employer-Provided Health Insurance Offer and Coverage](#)

A 1095-C form is filed for any employee of an ALE who is a full-time employee for one or more months of the calendar. ALEs must report information for all twelve months of the calendar year for each employee. They also must furnish employees with a copy of their 1095-C form. (All employees eligible for coverage should get a 1095-C, regardless of whether they actually participate in the employer’s health plan.) Some states possess individual mandates requiring residents to have health coverage, and this document offers proof.

The three sections of this IRS form are:

- Part I: Employee and employer (ALE) identification and contact information, including the Employer Identification Number (EIN).
- Part II: Employ offer of coverage, broken down by months.
- Part III: A list of covered individuals (such as dependents).

ALEs with fewer than 250 forms to send to the IRS can file paper 1095-C forms, accompanied by a paper 1094-C (see below) as the cover sheet. They can also do electronic filing, which the IRS prefers. Transmittal *must* be done electronically when submitting 250 or more forms.

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

ALEs file a 1094-C form to provide collective information about their company's health insurance coverage. Think of it as a summary of all the completed 1095-C forms. Only the IRS receives the 1094-C; employees do not get a copy.

Form 1094-C includes the following information:

- Employer basics (address, phone number, employer identification number).
- The number of employees the company has.
- The name of a contact person.
- How many 1095-C forms are being sent.

4. Be aware of important filing dates

Generally, companies must file reporting forms 1094-C and 1095-C by February 28 (if filing on paper) or March 31 (if filing electronically) of the year following the calendar year to which the return relates. If the due date falls on a weekend or legal holiday, then the due date is the following business day. A business day is any day that is not a Saturday, Sunday, or legal holiday.

For tax year 2022, this translates into these IRS reporting deadlines:

- February 28, 2023, for filing paper Forms 1094-C and 1095-C
- March 31, 2023, for filing Form 1094-C and 1095-C electronically

ALEs have until March 2, 2023, to furnish employees with their copy of Form 1095-C.

Note that the IRS recommends keeping copies of filed information returns (or having the ability to reconstruct data) for at least three years from the due date of the returns.

5. Determine small business responsibilities, if any

While ALEs definitely need to concern themselves with ACA reporting, what about small businesses? As mentioned earlier, a primary purpose of ACA reporting is to determine whether an employer owes the government an Employer Shared Responsibility payment. Small businesses do not.

As clearly stated by [HealthCare.gov](https://www.healthcare.gov): “No small employer, generally those with fewer than 50 full-time and full-time equivalent employees, is subject to the Employer Shared Responsibility Payment, regardless of whether they offer health insurance to their employees.”

Thus, unlike their larger counterparts, non-ALEs do not automatically by virtue of size trigger the need to file Forms 1095-C and 1094-C.

The IRS, however, notes that [reporting requirements](#) do exist for health insurance issuers, plan sponsors of self-insured group health plan coverage, and the executive department or agency of a governmental unit that provides coverage under a government-sponsored program. This includes insurance providers sending people they cover a copy of [Form 1095-B](#) as proof of minimum essential coverage.

Remember that as with all compliance-related issues, all businesses regardless of size should consult their legal team to review individual circumstances. Also, HR professionals should consider boosting their knowledge on ACA employer reporting by regularly reading up on it or seeking out webinars that cover the topic in detail.