

## **IRC 6055 – Small Employer Reporting**

Lisa Duquette: Thank you for joining us as we begin year 3 of health 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. Together, this presentation is provided as a refresher for small employers with less than 50 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, we'll start with a review of the background of 6055 and 6056 covering the Who, Why, How, and When of reporting. Then we'll briefly touch upon 2017 updates specifically as they report to you those employers who have less than 50 full-time equivalent employees and are subject to reporting under 6055 using IRS forms 1094 and 1095-B.

Some of our member groups have received letters from the IRS in the past, so we'll explain how SchoolCare can assist and finally we'll review the next steps.

You will also notice the Certified Healthcare 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 and you, are member employers.

Moving onto the reporting, the Internal Revenue Service 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 on plans. All SchoolCare plans provide minimum essential coverage regardless if they are 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 your employees.

A reminder, all the small municipalities and school districts are required to report under section 6055. In both cases, 6055 and 6056 employers will have to file with the IRS and send individual statements to employees. Applicable large employers, those having 50 or more employees will report under section 6056. For this webinar we'll focus on section 6055 reporting only. There is another recorded

webinar available that speaks specifically to 6056 and applicable large employer reporting.

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 your reporting. couple of examples: part- time support staff negotiated health insurance in a contract, or non-employee such a widowed spouse then you must include them in your reporting. Regarding retirees, you do not need to report for those retirees under the SchoolCare 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 SchoolCares' 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.

Many already know. If their an applicable large employer or not. This slide applies to those employers that have less than 50 full-time employees but have part-time employees as well. You'll have to add in the collective hours worked by part-time employees to determine the number of full-time equivalents. We can't emphasize enough how important it is to be sure that you are either a small employer or an applicable large employer so that you can properly do your reporting to the IRS.

To determine if you are an applicable large employer in 2017, you need to look back to each month in the 2017 calendar year to determine if you have 50 or more employees. 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 count as 1. Next take everyone who works less than 120 hours a month, those hours get aggregated together then divided by 120. Now you have your number for January. Do this same calculation for each month during 2017 and divide by 12.

If you have an average of 50 or more full-time equivalents than you need to do reporting as an applicable large employer and you would want to discontinue listening to this presentation, but rather find SchoolCares' other presentation specific to 6055 and 6056 reporting as an applicable large employer.

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Now let's look at 6055 updates for 2017. There really are no form changes for this year, but as in years past reasonable efforts are still taking place to collect participants social security numbers. 3 attempts to collect these numbers is considered reasonable effort.

Let's now move on and talk generally about the Whys of reporting. So, what is the IRS doing with this information? With reporting for the 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 its affordable. If not offered and/or not affordable, the employer may be subject to penalties. Keep in mind that penalties only apply to small employers if they do not report. Remember, despite SchoolCares' July-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.

Now that we have gone through the Who, the Why, the What, and the When, let's move on to the How by looking at 2017 IRS forms 1094-B and 1095-B.

As a reminder 6055 applies to small employers with less than 50 full-time employees or full-time equivalents. This is required to verify compliance with the individual mandate by confirming that individuals enrolled in employer group health plans are receiving minimum essential coverage. You'll report on all individuals who are on your plan regardless if they are employees or not. This included early retirees and Cobra participants. Reporting does not include accepted benefits; like Medicare supplements such as SchoolCare 65+, dental coverage, flexible spending arrangements, or health saving accounts.

As we move on to the required forms think of how you currently file W2's with a W3 transmittal. Form 1094-B is the transmittal form which contains identifying information of the employer. 1095-B forms will be completed individually for each subscriber. Form 1094-B transmittal along with the individual form 1095-B, will be submitted to the IRS.

Now let's begin with the tutorial on how to complete form 1095-B. IRS form 1095-B must be completed for each responsible individual, for example a subscriber who is responsible for enrolling dependent on their coverage. To the individual this means they have been offered and enrolled in a plan with minimum essential coverage and are thus not liable for the individual mandate penalties.

We'll first take a long at parts 1,2, and 3 of the 1095-B forms. Part 1, or lines 1-8 is basic contact info for the responsible individual or subscriber. Remember the employer must make reasonable efforts to obtain the social security numbers before using dates of birth. For line 8, Identifying origin of the policy there is a list provided by the IRS but for our purposed you'll enter letter B to indicate employer sponsored coverage. Moving down to part 2, employer sponsored coverage or lines 10-15, leave this section blank because SchoolCare is self-

funded, therefore your employee health plan is self-funded. Instead you will complete part 3 as the employer. Part 3, issuer or other coverage provider or line 16-22; employers providing self-insured coverage use this section. Complete employer name, identification number, and contact person.

Part 4, covered individuals' column: SchoolCare will be providing you with a file containing the information needed to complete part 4. This will be in the same format as last year. For A, enter the name of each covered individual, be sure to include subscriber or responsible person from part 1 above, for B enter the 9-digit social security number. This field may be left blank if social security number was not obtained. C, enter date of birth for the covered individual only if no social security number was entered in column B. D, check this box if the individual was covered for at least one day per month for all 12 months of the calendar year. E, if not covered for all 12 months, check the applicable box or boxes of months in which the individual was covered for at least one day per month. Do this for each dependent, if there are more than 6 covered individuals use the IRS continuation sheet. This is the continuation sheet to be used when there are more than 6 covered individuals.

Let's now look at specific examples: For our first example, Pam and her husband are enrolled in coverage all year. They have a baby who is enrolled in coverage at birth on June 30th, 2017. For part 1 complete contact information for Pam the responsible individual, in line 8 enter the letter B for employer sponsored coverage. Part 2 remains blank. For part 3 complete employer information. For part 4 covered individuals, enter Pam, John, and baby Smith. You'll note, that box D is checked for Pam and John as they were covered all 12 months. Baby Smith being born on June 30th, has June-December checked off for coverage months. For baby Smith no social security number was obtained; you'll note that date of birth was listed instead. But for Pam and John social security numbers are obtained and noted.

Lisa Duquette:

For example 2, Will is a new hire on August 31st 2017 and his coverage is effective the 1st of the month following date of hire which would be September 1st. For 1095-B part 1 you'll fill in Will's contact information as the employee subscriber. Also note, in part 1 number 8 code B is entered. As a reminder this is used on all 1095-B forms. Part 2 is left blank. Part 3 is the employer information to be completed. And in part 4 we list Will Jones as the covered individual with single coverage. We were able to obtain his social security number, so we do not list his date of birth in column C. Also, he did not have coverage all 12 months so in column D that is left blank. But in column E he did have coverage for at least 1 day for the months of September, October, November, and December.

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Example 3. Linda has been employed by this towns school district since July 1, 2014. She resigns from employment effective June 12th, 2017 but has coverage through the end of the month. Again, for part 1 we are entering contact information for Linda as the responsible individual. Line 8 has letter B. Part 2 is left blank. Part 3 complete employer information. And part 4 has Linda listed alone as she has single coverage. Her social security number is noted so no date of birth is necessary. She did not have coverage for all 12 months, but she did have coverage for at least one day in each month from January to June. So column D is not checked off but the months January to June are.

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In example 4 Pam has been employed since September 1, 2015. She has been enrolled for 2-person coverage to include her spouse John. Pam and John divorce. The divorce decree is signed by a judge effective March 18, 2017. For completion of the 1095 form again Pams information goes in part 1 as the responsible individual. On line 8 be sure to use the code B. For part 2 leave that section blank. For 3 again your employer information. And part 4 you'll see both Pam and John listed. Their social security number were provided so therefore their dates of birth were not required in column C. In column D Pam was the only individual to have coverage all 12 months so that box is checked off. For John however, we used column E. He had coverage at least 1 day for the months of January through March so those are the only months where the box is checked.

Example 5 is a continuation; it includes John Smith from example 4 when he is offered Cobra coverage. He enrolls effective April 1, 2017 and becomes a subscriber on his own plan. John is now the responsible individual and must be issued his own separate 1095-B form. In part 1 Johns contact information is listed again using code B on line 8. Part 2 remains blank. Part 3 is the employer information. And in part 4 John has single Cobra coverage so he is listed there with his social security number and it indicates that he had coverage for at least one day for the months of April - December 2017.

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Now onto our 6th and final example. Sue is 53 and an early retiree. Sue's husband John turns 65 and enrolls in the SchoolCare 65+ plan effective February 1st, 2017. Sue remains on the SchoolCare Cigna plan with single coverage. Part 1 as Sue is the responsible individual, her information is filled in here. Again, on line 8 be sure to fill in the letter B. Part 2 is left blank. Part 3 has employer information. And part 4 lists Both Sue and John as covered individuals. Again, both social security numbers were obtained so they are listed. For Sue she had coverage all 12 months of the year on SchoolCare Cigna plans, so box D is checked off. As

Medicare supplements such as 65+ are not reported, only January is checked of as a month of coverage for John Smith.

So, this is easy right? Section 6055 is the simplest reporting. For those of you who have very few employees, you may want to complete these forms manually by hand without purchasing forms or software from a vendor. The fillable forms are downloadable from the IRS.Gov website. Once IRS forms 1094 and 1095-B are complete, they need to be transmitted either by paper or electronically to the IRS. Here is the IRs form 1094-B. It requires basic employer contact information. On line 8 you will indicate the number of 1095-B forms that will be submitted with this transmittal form.

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

Lisa Duquette:

Have you received an inquiry from the IRS? Some member groups have reported to us that they were notified by the IRS that at least one of their employees received 2016 marketplace subsidy. Remember small employers like yourselves are not subject to pay or play penalties. If the employee received subsidy, no worries here. We recommend that you appeal if the employee was offered coverage and send along documentation of proof to the IRS. If an appeal is approved the IRS will ask for a letter certifying that all plans meet minimum value. Minimum value means that the plan is designed to pay at least 60% of the actuarial cost of covered medical services. Great news! SchoolCares' Actuary has produced a letter which we can provide to you. If needed, please reach out to one of the SchoolCare staff members.

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So here are next steps in an upcoming timeline. By December 13th employers should send any needed updates and changes. Remember to include new enrollments, terminations, adjustments, missing social security numbers or any other changes so that all are captured. By December 20th SchoolCare will provide a data file obtaining all covered individuals, social security numbers, date of births, and months enrolled in coverage. By January 31st be sure to send the form 1095-B to individuals. Employers must file 1094-B and 1095-B forms to the IRS at the applicable dates if filing by paper or electronic.

Lisa Duquette:

That's a wrap folks. We're certainly here for you if you should have any questions or need further assistance call our office at 1-800-562-5254.