



Employer's roadmap to **ACA**

Tips on surviving this year's ACA reporting season.

wexTM

Intro to ACA

The Patient Protection and Affordable Care Act, often referred to as ACA, was enacted in March of 2010. It aimed to increase both the quality and affordability of health insurance in the United States by expanding coverage and reducing costs for both individuals and the government.

While the aims of the Affordable Care Act are important, the legislation and resulting paperwork have been of great concern to Human Resources professionals.

Here are our tips
on surviving this
year's ACA reporting
season!



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Determining Status

The first step in ACA reporting is determining if your company is an Applicable Large Employer (ALE). That involves determining how many full-time employees and full-time employee equivalents work for your company.

For the purposes of determining ALE status, a full-time employee is a person who works at least 30 hours a week, or at least 130 hours in a calendar month.

To determine the number of full-time employee equivalents, follow the equation below:

- ⌚ hours worked (up to 120 hours per employee) by all part-time employees in past month
- ÷ 120
- = number of full time equivalents

To determine whether your company is ALE, do the below calculation for the past 12 months.

- ⌚ sum of all full-time employees each month for 12 months
- ⊕ sum of all full-time equivalents each month for 12 months
- ÷ 12



Determining Affordability

Affordable coverage (under the ACA employer mandate) is defined as costing no more than 8.39% of household income for the 2024 plan year and no more than 9.02% of household income for the 2025 plan year. Employers may also determine affordability using safe harbor methods, which calculate costs as a percentage of:

- W-2 Wages,
- 130 hours multiplied by the hourly rate of pay, or
- The federal poverty level

That's the basic requirement, but some employer actions or contributions can affect determining affordability. We'll go over that when we talk about special considerations!



IRS Forms

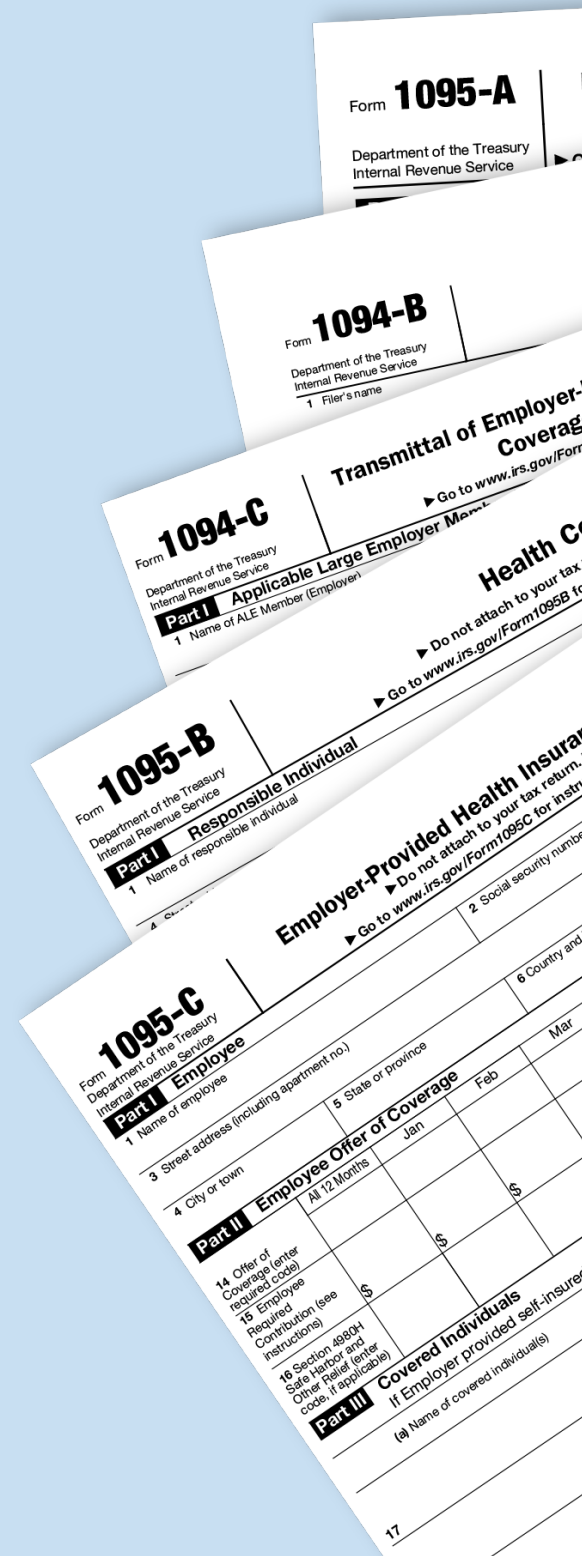
The ACA added reporting requirements under Internal Revenue Codes 6055 and 6056. These reporting rules require certain employers to furnish the IRS with information regarding the medical coverage they do or do not offer to their employees.

Applicable Large Employers subject to employer shared responsibility rules must report information on health coverage offered to full-time employees to the IRS and covered individuals.

If you are a WEX client, we're able to file everything for you. Last year, compliant filings helped our clients avoid over \$50 million in potential federal penalties.

There are five key forms included in the Internal Revenue Code:

- 1095-B** – Health Coverage. Insurers and self-insured plans to provide to each enrollee. Gives information on coverage provided.
- 1094-B** – Transmittal of Health Coverage Information Returns. Insurers and self-insured plans to file with IRS along with all 1095-B forms.
- 1095-C** – Employer-Provided Health Insurance Offer and Coverage. ALEs to provide to each enrollee. Provides information on available coverage and to whom and when coverage is offered.
- 1094-C** – Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns. ALEs to file with IRS along with all 1095-C forms.
- 1095-A** – Health Insurance Marketplace Statement. Exchanges to provide to enrollees.



IRS Forms

The Affordable Care Act (ACA) created reporting requirements under the Internal Revenue Code sections 6055 and 6056. Under these reporting rules, certain employers must provide information to the IRS about the health plan coverage they offer (or do not offer) to their employees. The additional reporting is intended to promote transparency with respect to health plan coverage and costs. It also provides the government with information to administer other ACA mandates, such as the large employer shared responsibility penalties and the individual penalty.

Section 6055

Employee

Anyone that received Minimum Essential Coverage (MEC)

Required information on Form 1095-C (ALE Members) or Form 1095-B (non-ALE), such as:

- Name and SSN of every person covered under the employee's program or policy
- Months that the employee and any dependents were enrolled and entitled to receive benefits

IRS

Completed Forms 1095-C (ALE Members) or completed Forms 1095-B (not an ALE Member), and their respective transmittal forms (1094-C or 1094-B).

Section 6056

Employee

Anyone that that was a Full-Time Employee (FTE)

Required sections of Form 1095-C, including employee information such as:

- Whether coverage was offered by calendar month
- Employee's share of the lowest cost monthly premium by calendar month
- Whether an applicable 4980H Safe Harbor was used by calendar month

IRS

Completed Forms 1095-C plus required sections of Form 1094-C, including ALE Member information such as:

- Total number of FTE's per calendar month
- Total headcount per calendar month
- Certification that Minimum Essential Coverage was offered per calendar month

The IRS will use this information to enforce penalties under the employer and individual mandates



Which forms?

Do you offer Minimum Essential Coverage under a self-insured plan?

Yes

No

Are you an Applicable Large Employer (ALE)?

Yes

No

Yes

No

**6055 & 6056
(combined 1095-C)**

6055

6056

Neither

Required 6056 Submissions

Form 1094-C and copies of all 1095-Cs to the IRS by 3/31* if filing electronically or 2/28* if filing on paper. Form 1095-C to employees by 3/2*

Required 6055 Submissions

Form 1094-B and copies of all 1095-Bs to the IRS by 3/31* if filing electronically or 2/28* if filing on paper. Form 1095-B to employees by 3/2*

** If the due date falls on a weekend or holiday - the due date is the next business day*



Special Cases

Plan Affordability

1

Many employers don't understand other factors that influence plan affordability, such as *payments for not taking company-provided health insurance and wellness plans.*

2

It's common for employers to offer a payment to employees who do not accept employer-provided health insurance. However, these payments can cause problems under ACA.

IRS regulations clarify that those payments generally figure in to plan affordability. **By accepting healthcare, employees give up that sum in salary.** As such, the plan can be said to cost that much more.

Be sure to factor this in when making decisions about your company's healthcare plans!



Special Cases

Wellness

3

Employer-sponsored wellness plan incentives can also factor in to determining plan affordability.

For example, some employers contribute to their employees' flex spending accounts as an incentive for participating in wellness programs.

Under ACA, employer flex contributions can only reduce the amount of employee contributions when determining affordability if the contributions:

- Can only be used for medical care
- Cannot be received as a taxable benefit, and
- Are limited to health spending.

Don't forget to make sure the incentives for your wellness plans are within EEOC guidelines!

For purposes of determining affordability:

Wellness incentives (other than tobacco-related incentives) are treated as if all employees fail to meet the incentive. This means the higher premium amount, without the incentive, is used in the affordability calculation for all employees — regardless of whether they actually meet the incentive.

Tobacco-related incentives are treated as if they are earned by all employees. In this case, the lower premium amount, with the tobacco incentive applied, is used in the affordability calculation.



Noncompliance

The Internal Revenue Code includes penalties for ACA filing failures, which—in addition to late filings—include failure to include all of the required information on the return or including incorrect information.

Separate penalties apply for returns filed with the IRS and for statements furnished to individuals. Thus, filing failures can easily result in “double” penalties—one for the return filed with the IRS and a second penalty for the statement furnished to an individual.

For filings made in 2025, the penalty is up to \$330 for each return or statement to which a failure relates, capped at \$3,987,000 per calendar year. Note: The cap does not apply if the failure is deemed an intentional disregard of reporting requirements.

These amounts are reduced if failures are corrected by the following dates:



Thirty-Day Rule.

If a failure is corrected within 30 days after the required filing date (or the deadline for furnishing individual statements), the penalty is reduced to \$60 per return or statement, with a calendar-year cap of \$664,500 for filings made in 2025.



August 1 Rule.

If a failure is corrected after the 30-day rule described above but on or before August 1, the penalty is reduced to \$130 per return or statement, and the calendar-year cap is reduced to \$1,993,500 for filings made in 2025.

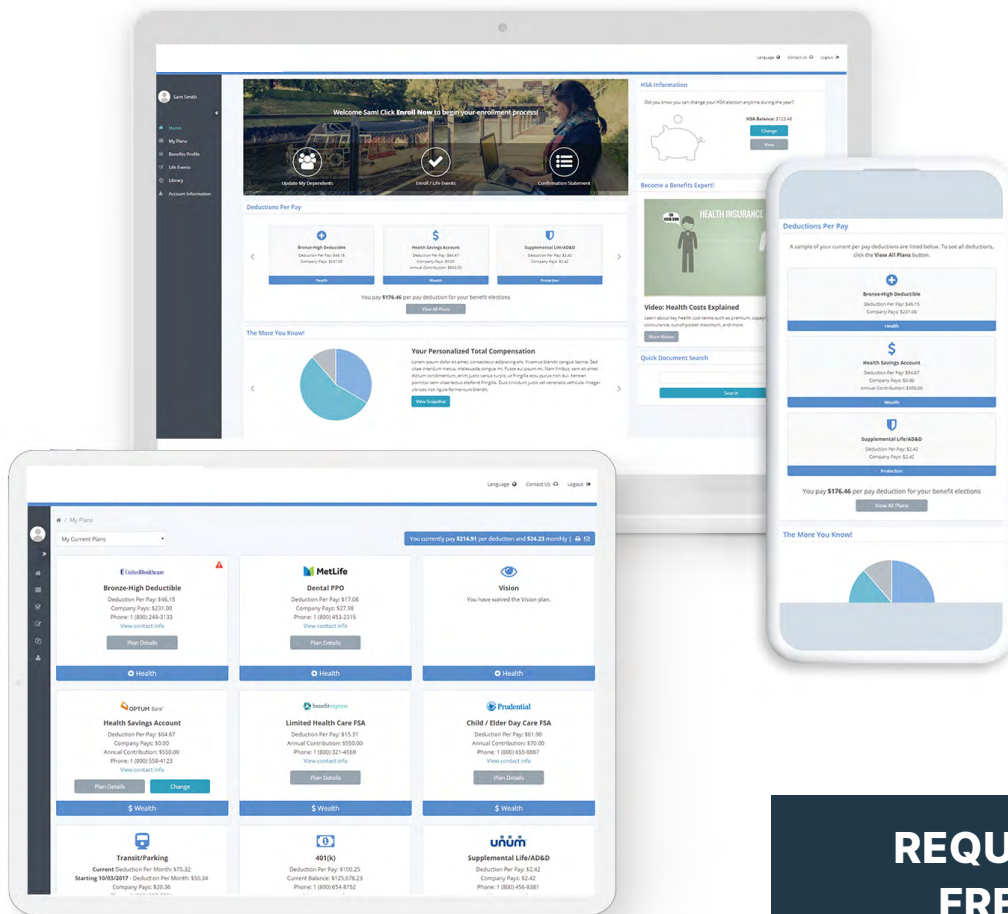


Filing failures can easily result in “double” penalties—one for the return filed with the IRS and a second penalty for the statement furnished to an individual.

Conclusion

ACA can be confusing, but it doesn't have to be! When you partner with WEX for benefits outsourcing, we help you remain compliant.

For more information, consult our [blog](#), or visit our [website](#) to request a demonstration of our benefits administration software today.



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