



# Affordable Care Act (ACA) Compliance: Navigating Through the Newest Demands for 2017 and Beyond

Managing employer reporting requirements can be less painful when you know what to expect

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In November, the IRS announced that ACA “good faith” reporting standards would again apply to the 2016 tax year, and that the deadline for employers to furnish forms to employees would also receive an extension. As employers prepare to tackle their second required year of ACA reporting, however, questions and confusion continue to surround the health care law. While President Trump has promised to repeal and replace the ACA, details and a timeline around this effort have been vague. In 2017, employers must still plan to fulfill their all of their ACA responsibilities in order to avoid potential penalties.

**THE GOOD NEWS:** Once again, employers will receive transition relief from penalties resulting from incorrect or incomplete information, provided they demonstrate a “good faith” effort to comply with their information collection and reporting requirements.

At-A-Glance Guide *from*  
Empyrean Benefit Solutions

## 4 KEY ISSUES:

1. Increased efforts to capture required reporting data
2. Keep up-to-date with the latest changes
3. Play by the rules or you'll pay even more
4. Lower your risk by identifying a trusted partner who can help



## Introduction, cont'd

Additionally, the deadline for distributing 2016 1095-C and 1095-B forms to employees and plan participants has been extended to March 2, 2017.

However, the IRS filing deadline has not been extended. Filers with less than 250 employees who elect to send paper forms have until February 28, 2017 to file with the IRS, while electronic filers have until March 31, 2017 to submit their filing.

**THE NOT SO GOOD NEWS:** Until further notice, the ACA compliance hammer still looms large, including penalties up to \$3 million for larger employers if the reporting requirements aren't met. Here are four issues you should consider as you plan ahead in 2017.

### Expected Time Before a Replacement is Passed if ACA is Repealed<sup>1</sup>

Less than one year:

4.7%

1-2 years:

29.1%

3-4 years:

24.4%

5 years+:

18.4%

Unsure:

23.3%



## Issue 1: Increased efforts to capture required reporting data

Though “good faith” information-reporting has been extended to the 2016 tax year, employers must still make a demonstrable effort to comply with regulations in order to avoid penalties associated with incorrect or incomplete information. Employers continue to be challenged in properly identifying and tracking full-time employees who require an offer of coverage. With ACA compliance requiring monthly substantiation this becomes especially complex for organizations and industries with a high percentage of variable hour employees, such as health care, restaurants, hospitality, and retailers.

Many HR professionals find it difficult to aggregate full-time employee eligibility, benefits, time off, and leave of absence information in a way that satisfies the month-by-month data capture that is the basis for IRS reporting and compliance. To complicate matters further, traditional systems and processes cannot be integrated or updated to track and report all required data points that fully comply with section 6055 and 6056 reporting needs.

### Dealing with Deadlines

The deadline for distributing 1095-C and 1095-B forms to employees has been moved from January 31 to March 2.

Electronic filings must still be submitted by March 31, 2017.



## Issue 1, Cont'd

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Many organizations find themselves feeling overwhelmed as they try to capture accurate data, let alone map to the appropriate IRS codes used for §6055 and §6056 reporting.

Investing in technology that automates data consolidation for reporting needs offers a proven way to reduce the risk of mistakes and makes IRS compliance far less burdensome. Since penalties for non-compliance will only get more onerous in the future, leading organizations will increasingly choose an outsourced benefits administration provider to handle the entire process, reducing financial exposure and risk.



## Issue 2: Keep up-to-date with the latest changes

As the ACA continues to evolve—and possibly dissolve—under the new Trump administration, it's critical that HR leaders remain up-to-date with the IRS's official requirements in order to avoid costly mistakes.

In 2015, for example, there were a total of 18 codes with over 100 potential valid combinations for use in Part II on Form 1095-C. The IRS has since introduced two new codes (1J and 1K) to designate conditional offers of spousal coverage.

The uncertain future of the ACA provides a strong case for obtaining help from subject matter, process, and technology experts. The time-consuming chore of monitoring ever-evolving ACA reporting requirements can rapidly evolve into a task that few, if any, HR/Benefits departments can effectively and accurately manage in a timely and compliant manner.

Not surprisingly, you can expect that the ACA's spectrum of IRS reporting requirements will continue to shift and change as long as it exists in its present or future state.



## Issue 3: Play by the rules or you'll pay even more

Much of the IRS's transition relief regarding Pay or Play came to an end in 2016, which has placed a larger burden on human resource staffs already struggling to keep pace. Employers are now required to offer Minimum Essential Coverage (MEC) to at least 95% of full-time employees, which has significantly narrowed the margin for escaping penalties and widened the impact of Pay or Play to affect more businesses than before.

Accenture recently estimated that employers could be subject to \$31 billion in penalties as a result of their 2016 coverage and reporting practices—\$21 billion of which could come from those employers that failed to offer sufficient coverage to enough workers.<sup>2</sup>

### ***Percent of Employers by Size Who Outsourced ACA Reporting to a Benefits Administrator***

10% <1000 Employees

19% 1000-5000 Employees

29% >5000 Employees

Among employers that intended to or had outsourced their Affordable Care Act information reporting requirements, those choosing an outsourced benefits administrator varied according to the size of the employer's workforce.<sup>3</sup>

The ACA defines full-time employees as those working 30 hours or more per week. Employers must adhere to this definition, regardless of their own full-time classifications.



## Issue 4: Lower your risk by identifying a trusted partner who can help

Though the future of the ACA may be uncertain, employers are still required to gather and submit their data—and are liable to incur hefty penalties—until further notice. Despite the IRS’s “good faith” extension, organizations still face all the risks of a narrower margin of error and time-consuming government audits.

The potential process of repealing and replacing the ACA is likely to take time, and employer responsibilities could change significantly as a result. As you adjust your procedures to maintain compliance with evolving regulations, you’ll want to explore the valuable assistance a proven outside HR/benefits administration resource can provide.

Getting help from a knowledgeable benefits administrator such as Empyrean is increasingly beneficial to help reduce internal staff burdens, streamline your compliance responsibilities, and provide expertise in managing complex, ever-changing IRS reporting obligations.

To learn more visit our website at [www.GoEmpyrean.com](http://www.GoEmpyrean.com)



## Issue 4, Cont'd

To best evaluate your support requirements, consider the resources you'll need to meet your current ACA obligations:

- 1) Will your outside resource provide raw data files for your own in-house use, or will they be furnished to your chosen tax form provider to translate into IRS codes and provide fulfillment services?
- 2) Will your outside resource translate raw data into "forms-ready" files that can be used with your chosen tax form provider for fulfillment services?
- 3) Will an established provider be able to furnish full project management that includes data translation for use on ACA forms, followed by timely fulfillment management—including individual employee 1095 form distribution, all corresponding IRS filings, and assistance with any subsequent IRS inquiries?



## References

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2. "As Employer Mandate Requirements Expand, Penalty Exposure Could Reach \$31 Billion", Accenture Consulting, [https://www.accenture.com/t20161115T200926\\_\\_w\\_/us-en/\\_acnmedia/PDF-32/Accenture-Health-As-Employer-Mandate-Requirements-Expand.pdf](https://www.accenture.com/t20161115T200926__w_/us-en/_acnmedia/PDF-32/Accenture-Health-As-Employer-Mandate-Requirements-Expand.pdf)
3. "Survey: Employers Likely to Outsource ACA Reporting," Society for Human Resource Management, Stephen Miller, CEBS, May 1, 2015. <https://www.shrm.org/hrdisciplines/benefits/Articles/pages/outsource-aca-reporting.aspx>

## About Empyrean

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Empyrean Benefit Solutions is one of the fastest-growing providers of technology and services for managing employee health benefits programs. Empyrean provides enrollment, eligibility management, ACA reporting, and other plan administration services to employers, insurance brokers, and healthcare exchanges. Unlike other providers, Empyrean combines the industry's most client-adaptive and configurable benefits technology platform with expert, responsive service to deliver Hi-Touch benefits administration.

**Visit [www.GoEmpyrean.com](http://www.GoEmpyrean.com) for more information.**

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