



User Guide to the 1095-C Form and Associated Codes



ACA Reporting



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Reconciliation



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General Purpose of Forms 1095-C and 1094-C

The Patient Protection and Affordable Care Act (“PPACA”) consists of the individual mandate and the employer mandate (which has been repealed as of January 1, 2019).

The general purpose of Forms 1094-C and 1095-C is for employers with 50 or more full-time and full-time equivalent employees (also referred to as applicable large employers or ALEs) to report information required under Section 6056. This includes their offers of health coverage and the employees’ enrollment in health coverage.

An ALE must report complete information for all 12 months of the calendar year for any of its employees who were full-time employees for one or more months of the calendar year.

Form 1094-C is a cover page and is called a “transmittal form.” It is used to provide summary information about the employer and the 1095-C forms that are either mailed or transmitted to the IRS.



Form 1095-C has two purposes.

1. Establish the employer’s compliance with the Employer Mandate.
2. Provide information that will be used by the IRS in determining whether an individual is eligible for premium assistance when obtaining coverage through a Marketplace and will assist the IRS in determining who is eligible for premium tax credits.

The 1095-C form is typically the form used to fulfill the ALE’s obligation to furnish a statement to employees, former employees, non-employees and retirees of an ALE.



Basics of the 1095-C Form

As illustrated in the image, the 1095-C form is made up of 3 parts

Part I →

Part II →

Part III →

The image shows a 1095-C form titled "Employer-Provided Health Insurance Offer and Coverage" for the year 2018. The form is divided into three main sections indicated by red arrows:

- Part I (Lines 1-13):** Employee and Employer information. Includes fields for employee name, SSN, employer name, EIN, street address, city, state, and ZIP code.
- Part II (Lines 14-16):** Employee Offer of Coverage. A table with columns for months (All 12 Months, Jan-Dec) and rows for:
 - 14 Offer of Coverage (enter required code)
 - 15 Employee Required Contribution (see instructions)
 - 16 Section 4980H Safe Harbor and Other Relief (enter code, if applicable)
- Part III (Lines 17-35):** Covered Individuals. A table for self-insured plans with columns for (a) Name of covered individual(s), (b) SSN or other TIN, (c) DOB (if SSN or other TIN is not available), (d) Covered all 12 months, and (e) Months of Coverage (Jan-Dec).

Part I (Lines 1-13) provides information about the employee and the employer.

Part II (Lines 14-16) provides information by month about the type of coverage that was offered, to whom it was offered, the cost to the employee for employee-only coverage, and any Safe Harbors or other relief that the employer reports. These lines are completed using a complex combination of codes (also referred to as indicator codes).

Part III (Lines 17-35) is only completed if the health plan is self-insured. This section reports the months during which the employee and any other covered individuals were covered under the self-insured plan.

Parts I and II should be completed for any employee that is full-time for any month of the calendar year. **Parts I, II, and III** should be completed for any full-time employee for any month of the calendar year that enrolls in self-insured coverage.

Only **Parts I and III** are required to be completed for any employee that enrolls in self-insured health coverage, irrespective of whether that employee is full-time or not full-time for any month of the calendar year. If the individual is a non-employee for all 12 months but enrolls in self-insured coverage for one or more months of the calendar year, the employer is required to complete **Parts I and III and only line 14 of Part II** by entering code "1G" in the "All 12 months" column. If an employee does not enroll in self-insured coverage, the employer is not required to complete **Part III**.



Reporting Employer Compliance

Part II (Lines 14 through 16)

We would be remiss if we did not alert you to the fact that accurately completing Part II can be extremely difficult to do manually. The regulations are complex and the indicator codes are required to be used in combination with not only each other but also the employee's full-time ACA status for each month and in some cases for the entire year. ACA Tracking and Reporting solutions that utilize payroll, employment, and benefit data are designed to determine the appropriate codes for each employee for each month. Best practice suggests using one of these vendors to complete these forms for your employees. (NOTE: Be aware that some solutions require you to determine the codes for your 1095 forms, and then they simply print and mail them to your employees and provide you a mechanism to e-File.)

Full-Time ACA Status

For purposes of Form 1095-C, the term "full-time employee" is defined under section 4980H and the related regulations, not any definition of full-time employee that an ALE may use for other purposes (e.g., benefit eligibility). The regulations state that a full-time employee is an employee who, for a calendar month, is determined to be a full-time employee under either the monthly measurement method or the look-back measurement method (depending on which method the employer has elected to use for that employee). The monthly measurement method and the look-back measurement method are the only methods provided under the section 4980H regulations for determining whether an employee has sufficient hours of service to be a full-time employee. Below is brief description of these methods. Detailed information on these methods is provided in the regulations.

- **Monthly Measurement** - Under the monthly measurement method, a full-time employee is an employee who had an average of at least 30 hours of service per week during a calendar month.
- **Look-Back Measurement** - Under the look-back measurement method, an employee is a full-time employee for each month of the stability period selected by the ALE Member if the employee was employed an average of at least 30 hours of service per week with the ALE Member during the measurement period preceding that stability period.
- For purposes of both methods, 130 hours of service in a calendar month is treated as the monthly equivalent of at least 30 hours of service per week.

Note

A former employee (for example, a retiree) is not a full-time employee for any month after termination of employment with the ALE Member. However, if the former employee was a full-time employee for any month of the calendar year (for example, before retiring mid-year), the ALE Member must complete information in Part II of Form 1095-C for all 12 months of the calendar year, using the appropriate codes.

Reporting Employer Compliance Part II (Lines 14 through 16) Cont.

The information provided below is intended to give you an understanding of the 1095-C form, not as instructions on how to complete the forms.

Part II should be completed:

- For any employee who is ACA Calculated full-time for any month of the calendar year.
- For any employee who is ACA Calculated full-time for any month of the calendar year who enrolls in self-insured coverage.

Line 14

Line 14 is basically intended to report on the type of coverage offered, the effective dates, and to whom.

Again, indicator codes are used to identify this information. For example, 1E means that an offer of Minimum Essential Coverage (MEC) providing Minimum Value (MV) was made to the employee and that at least Minimum Essential Coverage was offered to dependent(s) and spouse. The code 1G is used for an individual who was not an employee for any day during the year but who received coverage in a self-insured plan for any month of the year.

Offer Effective Date – We often get asked how to determine what to report as the Offer start and end dates. While it may seem logical that it would be the date you offered coverage (i.e., the day the employee was presented with the paperwork/electronic notification that he/she was eligible for coverage and instructed on how to enroll or decline) or even the first day the employee was covered, neither of these will provide the accurate dates every time.

An Offer of Coverage must be for a full month; therefore, the start date is always the first day of the month. If an employee ends coverage mid-month, there is no Offer for that month. From the IRS Instructions, “An ALE Member offers health coverage for a month only if it offers health coverage that would provide coverage for every day of that calendar month.” Of course, as with most rules, there are exceptions. To learn more, refer to the IRS Instructions for Forms 1094-C and 1095-C (<https://www.irs.gov/pub/irs-prior/i109495c--2018.pdf>).

Line 15

Line 15 reports the employee’s share of the monthly cost for the lowest-cost, self-only minimum essential coverage providing minimum value that is offered to the employee. That’s quite a mouthful. Basically, it means that you would enter in the amount that would be deducted from the employee’s check if he/she had elected employee-only coverage for the plan that you offer that meets MEC and MV. This cost is only reported when required based on specific codes on Line 14.

The amount entered might not be the amount the employee is actually paying for the coverage. For example, if the employee chose to enroll in more expensive coverage such as family coverage, a plan that offered a lower deductible with higher premium, or if the employee was eligible for certain other healthcare arrangements.

Line 16

Line 16 reports on various situations that basically explain:

1. Why an Offer was not made to a full-time employee for a particular time period (e.g., not employed that month, not full-time that month, new hire in a limited non-assessment period, etc.).
2. If the Offer of Coverage was declined by the employee, the employer’s compliance with affordability requirements based on one of the Safe Harbors (e.g., Federal Poverty Line, Rate of Pay, or W2 Wages).

Note. There is no code to enter on line 16 to indicate that a full-time employee who was offered coverage either did not enroll in the coverage or waived the coverage. However, if none of the other Line 16 codes apply to an employee for a particular month and the employer offered qualifying coverage but the employee declined it, this is where the employer can show that their offer met the affordability requirements.

3. Various other situations that may apply to an individual (e.g., multiemployer arrangement interim guidance applies for that employee, employee terminated during the month and coverage was ended upon termination).



Reporting Employee Compliance

Part III (Lines 17 through 35)

Part III of the 1095-C form is used by employers who offer an employer-sponsored self-insured plan. It is not used for fully-insured plans. One way to think about why this section is necessary for self-insured plans is to understand that as a self-insured employer, you are providing the employee's enrollment information to the IRS. In the case of fully-insured plans, in addition to the 1095-C form that an employer provides, the insurance provider provides Form 1095-B to the employee and the IRS. This form reports on the employee's enrollments.

Lines 17-35

Lines 17-35 are used to indicate who had coverage and for which months. All individuals covered under the self-insured plan must be reported (e.g., employee, dependents, spouse, non-employees, retirees, etc.). You do not need to report on individuals who were offered coverage but did not elect coverage (e.g., if a spouse was offered coverage under this plan but has coverage under their employer, you would not report the spouse on this form). Coverage dates for purposes of Lines 17-35 are different from the Offer of Coverage on Line 14. Unlike the requirement for the Offer of Coverage that must be for a full month, if the individual was covered for at least 1 day in the month, the checkbox for that month will be checked.



QUESTION

"Do I need Social Security Number or other TIN for Lines 17-35?"

There are specific instructions related to obtaining SSNs for any covered individual."

ANSWER

Basically, an employer must make multiple attempts within a given timeframe to obtain the SSN/TIN. If the SSN is not provided, the individual's date of birth is required. Remember, document, document, document. Make copies of any correspondence that was sent, how it was sent (e.g., registered mail, etc.), and all responses that were received.



Valid 1095-C Form Indicator Code Combinations

It is important to note that the codes can (and have) changed for particular reporting years, so you will want to refer to the current year's instructions for valid indicator codes.

There are currently 90 possible Indicator Code combinations for Lines 14 and 16. In addition to the number of possible combinations, there are rules for applying them when one or more valid codes apply.

Of the 90 possible entries, just over 50% of them are valid. Also, simply because the codes are valid doesn't mean that the employer's obligations were met. Some codes actually indicate that the employer was not compliant and is potentially subject to a penalty. There are 11 code combinations that would indicate to the IRS that the employer has not met its obligations and may be subject to a penalty.

Also note that some Indicator Codes **MUST** be true for the entire year. For example, 1G is used for an individual who was not an employee for any day of the reporting year but was offered employer-sponsored self-insured coverage (e.g., retirees, continuation coverage, etc.). This code is not used for an individual who worked a partial year.

This complex combination of codes and how they relate to each individual for each month is one of the reasons why it is a best practice to utilize a reputable software vendor for ACA Reporting.

Valid Indicator Code Combination Samples

For purposes of these samples, we will use Line 14 indicator code 1E. This code is used when minimum essential coverage providing minimum value was offered to an employee and at least minimum essential coverage was offered to the employee's dependent(s) and spouse. Below are some examples of valid Line 16 indicator codes that can be used with 1E:

- 1E and 2C** Indicates that the offer was made and that the employee enrolled in coverage.
- 1E and 2G** Indicates that the offer was made and that it met the Federal Poverty Line Safe Harbor. This combination is typically used when the employee declines the coverage.
- 1E and Blank** This means that a qualifying offer was made but there is no other code that meets the requirements (e.g., a safe harbor that can be applied). While valid, this code combination could result in an affordability penalty if the employee obtains coverage through the Marketplace. It typically means that an offer was made but the employee declined coverage and based on the employee's wages, it is not affordable.

Invalid Indicator Code Combination Samples

- 1H and 2C** This means that no offer was made and the employee enrolled in coverage. Since it's not possible to enroll in something that wasn't offered, this code combination is invalid.
- 1A and 2B** This means that a qualifying offer was made to a full-time employee and that employee was not a full-time employee. Employers sometimes erroneously enter this combination when they offer coverage to employees who are both full-time and not full-time during the year. 1A was specifically only used during the months when the employee is full-time. For other months, the appropriate code must be entered.



Reporting Errors

Again, because the regulations and instructions for completing the 1095-C form are complex, it's easy to make mistakes in reporting. This is probably why the IRS has provisions for good faith effort in completing the forms (that does NOT mean the forms do not need to be completed or that the employer doesn't need to offer appropriate coverage that is affordable).



Disclaimer The information provided within is for general informational purposes only. It does not necessarily address all of your specific questions or issues. It should not be construed as, nor is it intended to provide, legal advice. Questions regarding specific issues and application of these rules to your 1095-C reporting should be addressed by your legal counsel. The information provided in this document is intended to give you an understanding of the 1095-C form, not as instructions that can be used to complete the forms.