



## AMERICAN BENEFITS COUNCIL

### PPACA EMPLOYER REPORTING

#### BACKGROUND

The Patient Protection and Affordable Care Act (PPACA) established complex new reporting requirements for employers regarding the health coverage they offer to employees. Under a transition rule issued by the Treasury Department and IRS, the reporting requirements are effective for tax year 2015. The new IRS returns and statements to employees must be provided by early 2016.

Under Code Section 6056, every applicable large employer (those with 50 or more full-time employees) that is required to meet PPACA's "shared employer responsibility" requirements must file an annual return with the IRS (and provide a statement to employees) that reports the terms and conditions of the health care coverage provided to the employer's full-time employees during the year. The return is also required to include and certify detailed and specific information on the employer's full-time employees, including those who received the coverage and when they received it. This information will be also used to administer the premium tax credit for eligible individuals.

Under Code Section 6055 every entity that provides minimum essential coverage (including health insurance issuers and sponsors of a self-insured health plan) is required to file annual returns reporting specific information for each individual for whom minimum essential coverage is provided. The information reported under Section 6055 can be used by individuals and the IRS to verify the months (if any) in which they were covered by minimum essential coverage. This reporting facilitates compliance with and administration of PPACA provisions related to individual responsibility requirements and premium tax credits.

#### TALKING POINTS

- PPACA imposes significant new complex information reporting obligations on employers and will require substantial time and resources to implement.

- Employers face many challenges in preparing for information reporting requirements:
  - Implementing regulations are complex and difficult to understand. Final forms and instructions were not issued until February 2015. The need for clarification of many open questions regarding compliance is ongoing. The IRS issued two sets of clarifying “FAQs” on May 20, 2015.
  - Data required for reporting must be collected and coordinated among employers’ benefits, human resource and payroll units and across systems and databases that may not “talk to each other” or otherwise be configured for direct communication.
  - The burden of administering new reporting requirements overlaps with the implementation of complex employer shared responsibility obligations that became effective 2015, also requiring complex tracking of employee hours and coverage.
  - Staffing and resources for reporting compliance will need to be identified and possibly diverted from other benefits or business needs.
- Most employers will need to identify and contract with payroll providers, software vendors and other service providers to prepare and provide annual returns and employee statements. Employers are concerned about the capacity and readiness of third party services that will be needed to ensure timely compliance with the 2016 filing deadlines.
- Although final regulations included “simplified” reporting options, most employers will not be able use them as they are generally available in limited situations (for example, where an employer offers coverage to at least 98% of full-time employees and satisfies other conditions).
- Given significant administrative challenges posed by the new requirements, many employers are concerned about their ability to meet 2016 filing deadlines.
- The Council supports legislative initiatives that would streamline the reporting processes to reduce complexity and administrative burden for employers. These include measures that would establish a voluntary prospective reporting system that would permit employers to certify whether they offer coverage to employees and whether the coverage meets PPACA’s minimum value and affordability requirements and periods of coverage. The measures also need to allow an administrable process for relevant agencies to follow up with employers to obtain any additional information relating to an employee’s eligibility for premium tax credit eligibility or cost-sharing subsidies if he or she seeks coverage in the health insurance exchanges. Any new system must be voluntary for employers since we are already investing substantial resources in this process and cannot have any new and different mandates imposed that would REQUIRE that we change what we are already putting in place.