



Taking the stress out of Affordable Care Act reporting

Approaches to consider throughout
the year

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While furnishing and filing Affordable Care Act (ACA) returns and information statements is a year-end task, there are steps that can be taken throughout the year that can help streamline the process. The following guidelines may help ease ACA year-end reporting challenges.

Make ACA compliance a full-year activity

As a leading practice, employers should start to think about ACA reporting right after the prior year's forms have been filed while areas of concern or trouble spots are still top of mind. Stakeholders should meet to discuss the issues that caused stress or led to delays so they can be resolved and not repeated the following year. For most employers, this discussion should occur in the March/April timeframe, but it can be later for employers that need to file corrections.

Next, employers should monitor, either monthly or quarterly, the key metrics of ACA reporting, namely their ACA measurement periods and timeliness of offers of minimum essential coverage (MEC). Reviewing ACA data throughout the year can allow employers to identify employee data discrepancies that affect these requirements early on and remediate them well before year-end. For example, making sure that offers of coverage are made timely to employees who are completing their initial measurement periods, or who have transitioned to a full-time position mid-year, can help prevent employees being misclassified or inaccurately reported.

First and second quarter

After the first two quarters of data are available, employers should review the data for several common errors that can result in ACA reporting errors, such as:

- ▶ Unexpected gaps in the hours' history for employees
- ▶ Terminations not reported in a timely manner
- ▶ Workers reported working and terminated in the same month
- ▶ Terminated employees who continue to receive pay records
- ▶ Rehired employees with offer information that may be invalid
- ▶ Employees not enrolled in self-insured coverage but with a covered individual/dependent in a self-insured plan
- ▶ Employee names or identification numbers that have more than one Social Security Number aligned to them (i.e., if there has been an SSN change and records need to be combined)

Reviewing these items gives employers another opportunity to identify data anomalies that should be addressed. It is helpful to do this at the beginning of the filing cycle before errors start to pile up.



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Third and fourth quarter

Once the third quarter data is compiled, employers (or their ACA vendors) should consider developing draft ACA forms so they can get a live view of what the forms will look like and do any in-depth testing while time allows for corrections to be made. The draft ACA forms will allow employers to see if there are any problems, such as:

- ▶ Invalid Employer Identification Numbers
- ▶ Unreasonable safe harbor counts
- ▶ Health plan information from the offer of coverage that may be missing or wrong
- ▶ Full-time employees who are not under an offer of coverage
- ▶ Unexpected monthly contribution rates
- ▶ Incorrect reporting of multiemployer plans
- ▶ Enrollment that does not reflect the types of plans offered

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Other items to review throughout the year

There are several additional items that employers should review throughout the year:

Affordability safe harbor: Evaluate if the affordability safe harbor code that was previously used is still applicable; health plan costs are rising and for the last couple of years the ACA's federal poverty line affordability percentage has fallen, which may affect the plan's ability to utilize an affordability safe harbor. The affordability percentage is 8.39% for 2024 employer health care plans, which is the largest decrease since its inception. This could make some health plans fail to meet an affordability safe harbor and expose employers to IRC Section 4980H(b) penalties.

Changes to company address and contact information: Check with the tax department to see if there have been any changes to entity names and/or federal employer identification numbers (FEINs). Additionally, review the contact information listed on the Forms 1094 and 1095 to verify it is correct.

Time to file

By identifying issues related to regulatory changes, company dynamics or employee data early on, employers may reduce the stress typically involved when it comes time to create the actual forms when deadlines are tight.

Yearly checklist summary

Following is a sample checklist of items to review throughout the year in preparation for ACA year-end reporting:

Annually

- ✓ Prior year's tax filings
- ✓ Affordability safe harbor
- ✓ Changes to company information
- ✓ Changes to company structure

Quarterly

- ✓ Employee information
- ✓ Hours of work

Monthly

- ✓ ACA measurement periods
- ✓ Offers of MEC



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Ernst & Young LLP Affordable Care Act Services

ACA compliance requires more than a technology platform for producing forms

ACA compliance reporting is becoming increasingly complex. The end of the Internal Revenue Service (IRS) good faith waiver for accuracy-related penalties means employers will need to take additional care to create accurate forms consistent with their organizational structure, health care plans and workforce.

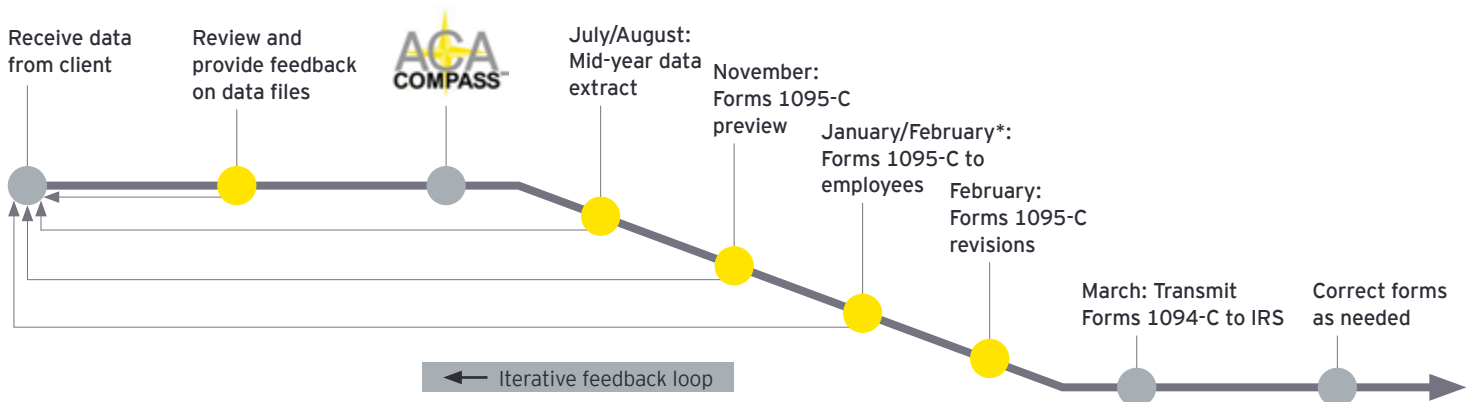
Ernst & Young LLP's team of dedicated ACA subject-matter professionals includes experienced benefits managers, certified public accountants, data analysts, and former Treasury and IRS executives.

They can help employers identify potential employee data anomalies early on, thus reducing year-end concerns and addressing issues that may arise with the IRS after filing.

In addition to reporting, EY professionals can also help companies understand Employer Shared Responsibility Payment (ESRP) penalty notices they receive for 4980H(a) and/or (b) penalties. Our team can help clients determine how to respond appropriately and suggest options for abating these assessments.

EY professionals can also help employers with the wide variety of complex employment and health care-related issues that affect ACA reporting, such as mergers and acquisitions and employee intracompany transfers.

Ernst & Young LLP's approach to the ACA provides subject-matter professional and business analyst reviews at multiple points along the way to help you evaluate the quality of your data and the accuracy of your forms.



In addition to our high-touch iterative process, we provide:

- ▶ Insight into data quality
- ▶ Monthly activity reports to provide data visibility
- ▶ Multiple opportunities to view Forms 1095-C throughout the year
- ▶ Opportunity to revise or correct forms before and after IRS transmission

A robust reporting process can often lead to companies seeing a need to make updates to their data and processes. Did you make changes?

*IRS permanently extended the form furnishing deadline to 30 days after January 31. Ernst & Young LLP encourages form furnishing as soon as practicable to allow for any necessary revisions prior to transmission.

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Why Ernst & Young LLP?

We have been following the ACA since it was signed into law in 2010, and we continue to invest in helping employers manage the complexities associated with ACA compliance. We have assisted more than 250 employers with ACA compliance and have created and filed more than 40 million individual Form 1095-C.

Our approach to ACA compliance and reporting provides reviews at multiple points throughout the year to help you evaluate the quality of your data and the accuracy of your forms.

In addition, we provide:

- ▶ Efficient project management through a dedicated engagement team
- ▶ Timely updates to anticipated or enacted IRS and state legislative and/or regulatory updates

- ▶ Help with complex employment and health care-related issues that affect ACA reporting, such as mergers and acquisitions and employee intracompany transfers
- ▶ Monthly or quarterly reports that provide employee-level detail on data inconsistencies between enterprise resource planning systems

With the expected increase in IRS scrutiny of ACA forms, our professionals can help keep clients updated on changing laws and regulations, thereby helping to protect business, employee and reputational risks.

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