2018 ACA Reporting Information

ACA Guide

Included in this pamphlet:

- ☐ ACA Dashboard
- ☐ 2018 Important Deadlines
- ☐ ACA Webinars
- ☐ Lookback Method
- ☐ Penalties
- ☐ SDP ACA Indicator Code Cheat Sheet

ACA Dashboard

SDP has upgraded our ACA solution by integrating with Nimble Reporting All 2018 ACA filing will be done via our new Nimble Reporting Dashboard.

The ACA Dashboard is equipped with:

- Automated alert emails – notifying benefit administrators to take action
- Advanced sub-reports with applicable suggested offer dates
- Important analytical data
- Dynamic monthly visual employee segment tracker
- Data exports to PDF, Excel and XML
- Credentialed team who are qualified to review official inquires
- IRS Notice and Audit Reponses
- Flexible measurement period tracking

Why the switch?

One word, **COMPLIANCE!** Many employers, including SDP clients, have begun receiving Letter 226J penalty notices from the IRS assessing anywhere from tens of thousands to millions of dollars in penalties. All indications are that the influx of tax notices (and the hefty penalties associated with them) will continue for the foreseeable future.

The Affordable Care Act (ACA) requires a proactive approach in developing strategies for managing your workforce to help with compliance and control the potential impact of associated costs – and SDP recognizes the importance of providing you with a comprehensive system to manage your ACA compliance rather than simply assisting with the tax filing.

SDP's partnership with Nimble Reporting offers a complete hands–on–deck healthcare compliance & reporting consulting team aided by robust technology, as well as ongoing protection against notices.

How do I get access to my dashboard?

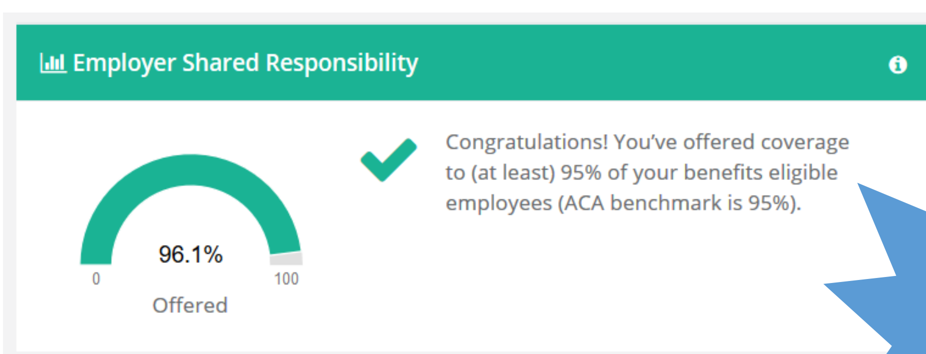
- Enroll…. Complete SDP enrollment agreement online by 11/15/2018 **(click here to enroll)**
- Login instructions will be e-mailed to users 24 hours after enrollment agreement is signed
- Attend one of the informational webinars (times listed on page 5)

How does the ACA Dashboard work?

- Our dashboard reduces the tedious manual entries required for ACA reporting by using data points from the employees' profile with payroll wage information and benefits data to automatically code 1095-Cs.

- The dashboard protects you from costly penalties by monitoring your employees through their **measurement**, **stability** and **administrative** periods and provides alerts throughout the year when offers of coverage are required.

- E-mail Alerts are sent out weekly to notify you of upcoming activity.



The average user spends about 8 minutes each month using the system!

2018 Important Deadlines

What do I need to do to make sure my 2018 returns are filed?

Step 1: **Enroll….** Complete SDP enrollment agreement online by 11/15/2018 (click here to enroll)

Step 2: **Update your measurement periods and plans in the dashboard by** 12/17/2018

Step 3: **Verify data…** The IRS assigns responsibility to the employer to ensure returns are filed accurately. Double check your 1095-C preview reports to ensure there are no errors that will prevent your forms from being filed

Step 4: **Submit for processing…**Complete the year-end validation process and submit your returns for printing and filing by 1/7/2019

Will my ACA filing fees change?

Your ACA fees for 2018 filing will not change. Beginning reporting year 2019, rather than paying a lump sum annual fee for ACA reporting and filing, ACA will be billed monthly.

Base monthly fee: $125.00 & $1.00 per employee per month:

Can I opt out of your Dashboard?

SDP will only process ACA returns through the ACA dashboard. ACA tabs in Payentry, SDP Connect and Millennium will be disabled to read-only.

SDP's ACA Refresher

The Affordable Care Act (ACA) requires a proactive approach in developing strategies for managing your workforce to help with compliance and control the potential impact of associated costs. In light of this, we're hosting a free webinar to recap ACA compliance, as well as SDP's new, more comprehensive solution for ACA tracking and reporting. Tune in for an overview of ACA legislation, changes in SDP's ACA service, and an introduction to our brand-new ACA Dashboard.

Thursday, October 25, 2018
10:00am – 11:00am

SDP Dashboard Training

Learn how to use the SDP Dashboard
11/2 2:00 PM
11/6 10:00 AM
11/9 2:00 PM

Go to our website to register

https://www.sdppayroll.com/news-events/webinars/

ACA Reporting Overview

The Employer Mandate is the Health Care Reform provision that requires all employers with 50 or more full time equivalent employees (Applicable Large Employers) to offer a certain level of health insurance coverage at an affordable rate to all full-time employees or face a penalty. This mandate is sometimes referred to as the “pay or play” provision.

Applicable Large Employer (ALE) Obligations:

- Offer medical coverage to full time employees.
- Medical coverage must be affordable and provide minimum value.
- Penalties assessed if at least one employee receives government subsidized coverage through an exchange or forms not filed.

Q: How do I know if an employee is considered full time?

Employees can be designated as full time, this means upon hire you reasonably expect that they will work at least 30 hours or more per week. If an employee is part time and their hours fluctuate and you have no way of knowing if they should be classified as full time or part time employees, IRS guidelines allow employers to monitor these employees through a company look-back or “measurement period” to determine if they are eligible as full time.

Q: What happens if I do not offer my full-time employees health insurance?

The “A” penalty is assessed if the employer is subject to the Employer Mandate but fails to offer health insurance to at least 95% (70% in 2015) of its full-time employees. The “A” penalty is $2,000 annually for each full-time employee, excluding the first 30 (80 in 2015) employees.

Generally, a **measurement period** is a period of between three and 12 months (the employer can choose), during which the employer measures the average weekly or monthly work hours of the employee. If, during that measurement period, an employee works 30 hours or more per week (or 130 hours per month) on average, then that employee becomes eligible for coverage (i.e., is treated as an FTE) during a subsequent coverage period, called a **"stability" period.**

Employers may also implement an **"administrative" period** between the measurement and stability periods, wherein the employer calculates the hours during the measurement period, notifies eligible employees of FTE status and provides an opportunity for them to elect coverage during an open enrollment. The measurement periods vary for ongoing employees (standard periods) versus newly hired employees (initial periods).

Measurement Period:

- The look-back measurement method is the preferred method of tracking the hours a variable employee worked and is referred to as the measurement period. If the employee worked an average of 130 hours a month, he is considered a full-time employee, and must be offered coverage.
- The initial measurement period is the first measurement period that applies to new employees.
- The standard measurement period is the measurement period that applies to ongoing employees. Employees graduate to the standard stability period when they have been employed for the full standard measurement period.

Stability Period:

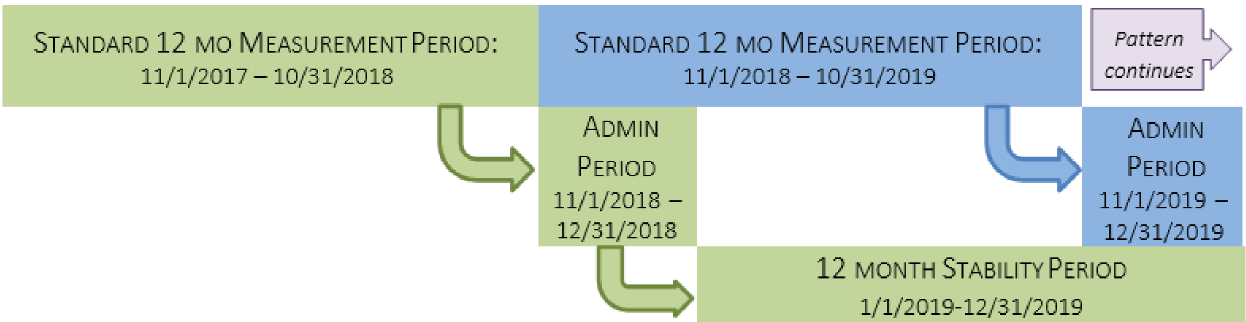
- The period in which the employee is "locked" in his status based on the hours worked in the preceding measurement period, regardless of how many hours the employee actually works in the stability period.

Administrative Period:

- The optional period during which an employer can gather and analyze data to determine which employees are full-time, notify of eligibility, and enroll eligible employees. The administrative period can be no more than 90 days.

Standard Measurement Period for ongoing employees:

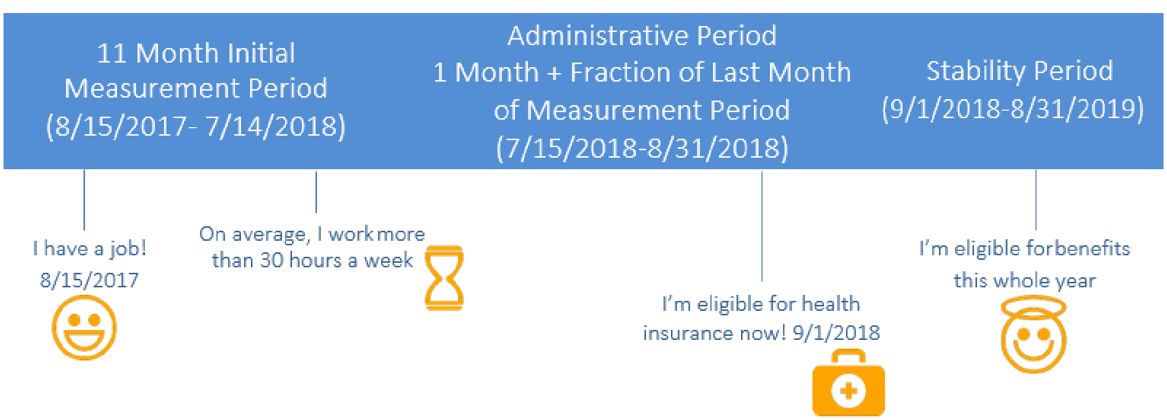
The measurement, administrative and stability period for ongoing employees are best demonstrated by example:



Company ABC uses a twelve-month standard measurement period and a two-month administrative period. If the employee averaged 30 or more hours per week during the standard measurement period (11/1/17 – 10/31/18), then the employee is eligible to enroll in the plan during the administrative period for a 1/1/19 effective date. Regardless of the employee's average hours during the stability period (1/1/19 – 12/31/19), the employee will be eligible for health insurance during this entire period. Then the system starts over and the standard measurement period moves to 11/1/18 – 10/31/19.

Initial Measurement Period for new employees:

The measurement, administrative and stability period for new employees are best demonstrated by example:



Following this one-time initial measurement period, the company must transition the employee to the standard measurement period for ongoing employees.

There are two separate penalties (an “A” penalty and a “B” penalty). An employer will never be required to pay both penalties in the same year.

“A” penalty: The employer does not offer coverage to full-time employees

Penalty	Trigger	Calculation Example
$2,320 per full time employee (excluding the first 30 employees)	Once an employee purchases coverage on the marketplace and is eligible for a federal premium subsidy	If an employer with 200 employees is assessed an “A” penalty, they would be assessed 200-30= 170 employees 170x$2320 =$394,400

“B” penalty: The employer offers coverage that does not meet the minimum value and affordability requirements

Penalty	Trigger	Calculation Example
Lesser of $2,320 per full-time employee, minus the first 30 employees, OR $3,480 per full-time employee receiving a federal premium subsidy	Once an employee purchases coverage on the marketplace and is eligible for a federal premium subsidy	Example: If an employer with 200 employees had 5 employees purchase coverage on the marketplace and are eligible for a subsidy Lesser of $2,320 per full-time employee, minus the first 30 employees, OR $3,480 per full-time employee receiving a federal premium subsidy 170 x $2,320 = $394,400 penalty -or- 5 x $3,480 = $17,400 penalty (lesser penalty applies)

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1095-C Form Indicator Code Key

Code	What Does the Code Mean?	When Should I Use the Code?
1A	You made a **Qualifying Offer:** You offered Minimum Essential Coverage (MEC) with Minimum Value (MV) to the employee (EE). The offer is affordable because it's < or = to 9.5% of the single, mainland federal poverty line. You offered MEC to spouse + dependents.	• You offer coverage to EEs, spouses and children. • You offer MEC providing MV. • Your coverage is affordable at the **employee- only** level because it's < or = to 9.5% of the single, mainland federal poverty line.
1B	**You only offer coverage to EEs.** The coverage is MEC and provides MV.	• You exclude spouses + children from your plan.
1C	You offer coverage to EEs that is MEC and MV and offer MEC to EEs children. **Spouses are not offered coverage.**	• You exclude spouses from your plan.
1D	You offer coverage to EEs that is MEC and MV and offer MEC to EEs spouses. **Children are not offered coverage.**	• You exclude children from your plan.
1E	You offer coverage to EEs that is MEC and MV and offer MEC to EEs spouses and children	• The only difference between this code and 1A is that your coverage may not be affordable **or** it is affordable based on a safe harbor other than the federal poverty line.
1F	You offer MEC to the EE or EE + spouse and/or dependents but the **coverage does not provide MV.**	• Your coverage does not provide MV.
1G	You offer self-insured coverage to an employee who was not full time at any point in the year.	• You offer a self-insured plan. • Non-full time employees are eligible for your plan. • The employee was enrolled in the plan, for this month.
1H	**You made no offer of coverage** (or one that didn't provide MEC for the EE).	• The EE was not yet hired. • The EE was in a limited non-assessment period. • The EE was otherwise ineligible for coverage. • Your offer of coverage was not MEC. • Your offer of coverage was not for an entire month.* • The employee terminated and you offered COBRA.

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1095-C Form Indicator Code Key

Code	What Does the Code Mean?	When Should I Use the Code?
2A	You did not employ this person during the month.	• The employee (EE) is not yet hired. • The EE is no longer employed.
2B	The EE was not full time (FT) for this month.	• The EE is part time. • The EE is seasonal or variable hour. • The EE is in a measurement period and his/her FT status is not yet established. (See Code 2D)
2C	The EE enrolled in the coverage you offered.	• The EE accepts and enrolls in your offer of coverage. • **If you have an option between 2C and another code, use 2C.**
2D	The EE was in a Limited Non-Assessment Period (LNAP) for the month.	• The EE is in a waiting period under the Monthly or Look-Back measurement method. • The EE is in an initial measurement period under the Look-Back method. • The EE is in the first calendar month of employment and **did not start on the first day of the month.** • It is your first year as an applicable large employer (ALE). • The EE has a change in status during his/her initial look-back measurement period.
2E	You are eligible for the multiemployer interim relief rule.	• Some portion of your workforce is eligible for a multiemployer (union) plan. • You make an ongoing contribution to the plan on behalf of union EEs.
2F	The coverage you offered is affordable based on the Form W-2 safe harbor.	• Coverage is affordable for this EE based on the W-2 safe harbor method. • You used the W-2 safe harbor for every month that the EE is offered coverage.
2G	The coverage you offered is affordable based on the Federal Poverty Line safe harbor.	• Coverage is affordable to this EE based on the federal poverty line safe harbor method.
2H	The coverage you offered is affordable based on the Rate of Pay safe harbor.	• Coverage is affordable to this EE based on the rate of pay safe harbor method.