

ACA Penalties are in the Millions: How to Defend Your City

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Today's Presentation

- Background on Current State of the ACA
- Status of IRS Enforcement
- How to Avoid IRS Penalties
- What Can Municipalities Do to Improve ACA Compliance: Case Study for the City of South El Monte
- Discussion



Evolving Organizations from Data to Wisdom

First Capitol is a Regulatory Technology company unlocking the value of workforce data. First Capitol is powered by our proprietary data consolidation process and regulatory risk models.

Our regulatory services include ACA Compliance, Pay Equity Auditing and Analytics, and employment tax credits.

Current focus areas:

- 1) Risk Management & Regulatory Compliance
- 2) Financial Performance Optimization
- 3) Workforce Management
- 4) Data Quality Management

Applies to Organizations with 50 or More Full-time (FT) or Full-time Equivalent (FTE) Employees, Referred to as Applicable Large Employers (ALEs).

- Each month, per IRC 4980H, ALEs required to offer at least 95% of their FT employees (and dependents) “Minimum Essential Coverage”. Health coverage offered should also meet “Minimum Value” and be “Affordable”.
 - If ALEs do not make appropriate offers of health coverage, they can be assessed by the IRS an Employer Shared Responsibility Payment (ESRP)
- Once annually, per IRC 6056, ALE’s required to file information returns 1094-C and 1095-C with the IRS and furnish 1095-C’s to FT employees.
 - Forms 1094-C and 1095-C detail how well the ALE complied with their monthly compliance obligations under IRC 4980H.
 - If ALEs fail to *timely* and *accurately* furnish to applicable employees and file with the IRS, subject to penalties under IRS section 6721/6722.

Despite the Trump Administration's Attempts to Implode the ACA, the Law is Popular

- 8.7 million enrolled for 2018, which is only 5% less than 2017 numbers for the federal exchange covering 39 states.
- 3 million enrolled in the 12 state run exchanges, a 0.1% **increase** from 2017.
- Total enrollment for all exchanges for 2018 is 11.8 million, which exceeds 2017 numbers.
- Enrollment numbers may be slightly lower for 2019, but there is still strong interest in obtaining health insurance through the ACA.
- ACA's popularity remains high with 53% of Americans viewing the law favorably.

Attitude Towards the ACA Has Changed in Its Favor

- Two key hurdles with any repeal are two popular aspects of the ACA:
 - Protections against denial of coverage for preexisting conditions.
 - Loss of coverage by over 20 million insured through the ACA should it be repealed without a replacement.
- The ACA has only continued to grow in popularity. A poll by the Kaiser Family Foundation (KFF) in September 2018 found that 50% favor the ACA compared to 40% do not, and that 72% consider the protections against denial of coverage for preexisting conditions “very important.”
- During the 2018 midterms, exit polls showed that healthcare was the single most important issue to voters.
- Now with Democrats controlling the House, any appetite to revisit an ACA repeal is highly unlikely, let alone become law.

The ACA Is Here to Stay

- Individual Mandate penalties will be \$0 beginning 2019, but Employer Mandate is still the law of the land.
- A recent court decision (Northern District of Texas) stating the ACA is unconstitutional is likely not going to stand.
 - Legal experts across the political spectrum agree that the reasoning behind this one federal judge's opinion is weak.
 - Even Jonathan Adler, a fierce ACA critic whose research inspired a prior lawsuit that reached the Supreme Court (King v. Burwell), believes that the U.S. Fifth Circuit Court of Appeals will overturn this decision in an op-ed in *The New York Times*.
 - The *Wall Street Journal* editorial board also predicts that the court decision will be overturned.
- Congress will not try to repeal the ACA in the new Congressional term.

Compliance with the ACA Becoming More Complex

- With the end of the federal Individual Mandate penalties beginning in 2019, states are looking to fill the gap with their own individual mandates.
- Massachusetts, New Jersey, Vermont and Washington, D.C., have passed their own state individual mandates with their own specific rules.
- California, Connecticut, Hawaii, Maryland, Minnesota, Rhode Island, and Washington are looking at implementing their own state individual mandates.
- It remains unclear how the patchwork of individual mandates will impact employer compliance (especially with multi-state operations) other than creating more complexity.

Congress Will Not Try to Repeal the ACA's Employer Mandate

- In the past, Republicans and Democrats have displayed little interest in making changes to the ACA's Employer Mandate
- Republicans will no longer be in control of the House starting January 2019. So, although Republicans proposed H.R. 4616, Employer Relief Act of 2018, which would suspend Employer Mandate penalties for plan years 2015-2028, this bill is unlikely to pass.
- Democrats who now control the House have put forward concepts to minimize premium increases and address rising healthcare costs to help stabilize healthcare costs and premiums.

IRS Moves Ahead with ACA Enforcement

- The IRS started assessing proposed penalties via IRS Letter 226J in November 2017.
- IRS received 434,507 Forms 1094-C from 318,296 employers in 2015.
- IRS identified 49,259 ALEs as non-compliant for the 2015 reporting year. 30,000 or more issued so far.
- Some assessments have been in the multi-millions of dollars.
- \$4.4 billion in total ACA penalties for 2015 alone (and so far).

IRS Penalty Notices Are Being Issued for 2016

- IRS started issuing penalty assessment for 2016 in October 2018.
- Penalties are expected to be significantly higher for 2016 filings because the compliance threshold has increased for ALEs.
- In 2015, ALEs had to offer coverage to 70% of their FT employees. That increased to 95% for 2016 and beyond.

And Don't Forget About 2017

- The IRS is reviewing 2017 ACA filings.
- IRS is anticipated to begin issuing penalty assessment for 2017 reporting year later this year.

IRS Is Becoming More Sophisticated in Its Analysis

- TIGTA Report indicated that the IRS is using an automated Affordable Care Act Compliance Validation (ACV) System, as well as other data points, to determine who is not in compliance.
- IRS will begin to audit non-compliant organizations moving forward on a “highest value of work” basis and not a random selection process.
- Expect enforcement for reporting years following 2015 to be more efficient while compliance requirements are more stringent.

The “A” Penalty ESRP is triggered if:

- The ALE failed to offer MEC to at least 95% (70% for 2015) of FT employees and their dependents *and* at least one FT employee obtained a PTC.
- Penalty amount for 2015:
 - \$173.33 (\$2,080/12) per month x (number of FTs – 80*).
 - (*30 if you failed to check the Section 4980H box)*

The “B” Penalty ESRP is triggered for each FT employee who obtained a PTC.

- For 2015: \$260 (\$3,120/12) per PTC month x total PTC months.
- The “B” Penalty can never exceed the “A” Penalty for a particular month.
- An employer will never owe both an “A” penalty and a “B” penalty for a particular month

ACA Compliance and the IRS

The IRS ACA Review Process

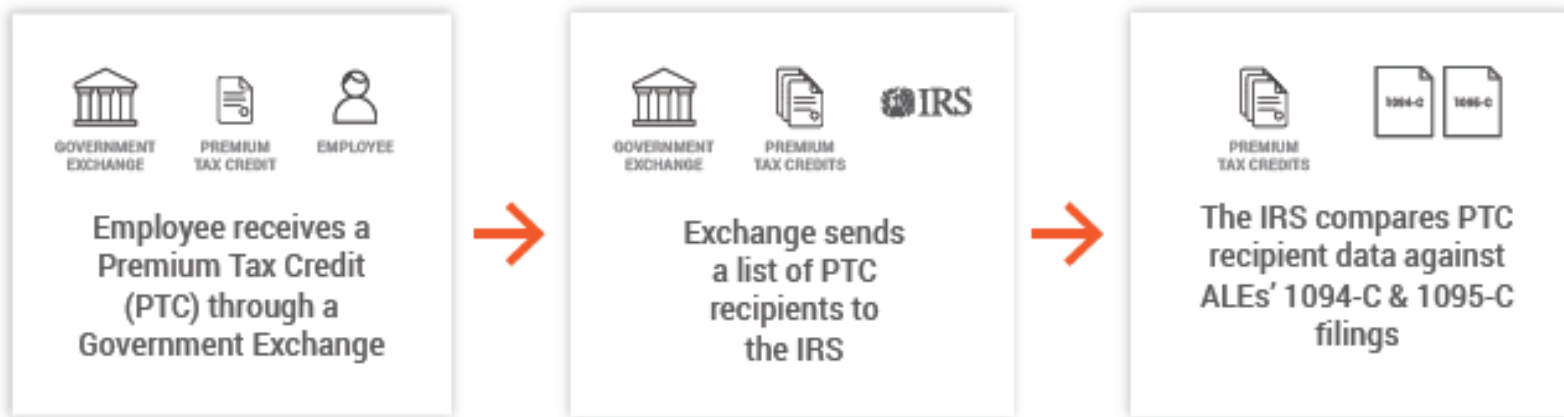
- IRS receives Forms 1095-A from the exchanges annually.
- Form 1095-A reports the month(s) that PTCs were received by individuals.
- The IRS ACV System cross references the TINs of these individuals in Forms 1095-A with Forms 1095-C, which are reported by the Employers.

Potentially Significant Outcomes

- IRS determines Employee was entitled to PTC and the Employer was not in compliance (e.g., failed to meet MEC, MV and/or Affordability requirements to a FT employee that was not in a LNAP, etc). Employer may be assessed 4980H penalty for this Employee.
- IRS determines Employee was entitled to PTC but Employer was in compliance (e.g., met MEC, MV and Affordability requirements to the FT employee that was not in a LNAP; was not an employee or FT, in LNAP, etc.). Employer does not get assessed Section 4980H penalty for this Employee.
- IRS determines Employee was not entitled to PTC. Employer does not get assessed Section 4980H penalty for this Employee. IRS claws back the PTC from the Employee.

IRS Data Gathering Process to Prepare Letter 226J

How did the IRS obtain the data to determine that it would issue the Letter 226J?



Which Employees Qualify for PTC

- These are individuals for whom the IRS “certified” under Section 1411 of the ACA, that for at least one month in the year, one or more of the employees was enrolled in a qualified health plan for which a PTC was allowed.
- This means that the individuals indicated that they were:
 - Not offered coverage or
 - Offered coverage, but it did not meet Minimum Value (MV) and/or Affordability.
- These individuals are listed in the “Premium Tax Credit (PTC) Listing” (Form 14765).

Who Qualifies for a PTC?

Who Qualifies for a Premium Tax Credit?

Persons in Household*	2018 Mainland** Federal Poverty Line							
	100%	133%	138%	150%	200%	250%	300%	400%
1	\$12,140	\$16,146	\$16,753	\$18,210	\$24,280	\$30,350	\$36,420	\$48,560
2	\$16,460	\$21,892	\$22,715	\$24,690	\$32,920	\$41,150	\$49,380	\$65,840
3	\$20,780	\$27,637	\$28,676	\$31,170	\$41,560	\$51,950	\$62,340	\$83,120
4	\$25,100	\$33,383	\$34,638	\$37,650	\$50,200	\$62,750	\$75,300	\$100,400
5	\$29,420	\$39,129	\$40,600	\$44,130	\$58,840	\$73,550	\$88,260	\$117,680
6	\$33,740	\$44,874	\$46,561	\$50,610	\$67,480	\$84,350	\$101,220	\$134,960
7	\$38,060	\$50,620	\$52,523	\$57,090	\$76,120	\$95,150	\$114,180	\$152,240
8	\$42,380	\$56,365	\$58,484	\$63,570	\$84,760	\$105,950	\$127,140	\$169,520

*Add \$4,320 for each person over 8

**This applies to the 48 contiguous states and D.C. Separate charts apply for Alaska and Hawaii.

PTC Listing in Letter 226J Identifies by Individual and Month

- Name, last four SSN
- Codes from Lines 14 and 16 of the 1095-C Schedule (or “No PTC”)
 - 1 Series (1A-1I) (e.g., type of coverage (MEC, MV, no coverage) provided to employee, spouse, dependents)
 - 2 Series (2A-2I) (e.g., non-FT status, LNAPs, enrollment, safe-harbor codes)

The Letter 226J provides Form 14765 for the Employer to correct as appropriate.

Corrections to coding in the PTC listing may impact the ESRP calculation.

Things to Consider About Your 1094-C and the IRS

Software Default Settings Are Set-Up to Trigger Letter 226J

- Example 1094-C; Part III; Section (a) is defaulted to “No” by many software systems.
 - *This can trigger a 4980H(a) penalty if a PTC is claimed by only one employee.*
- Some software systems appear to default to the “Monthly Measurement” method, especially if you don’t identify the FT/non-FT status of each employee. Others default to treating all employees in the system as FT.
 - *This causes more 1095-Cs to be issued than necessary, and usually there are no offer codes provided for the non-necessary 1095-Cs.*
- IRS cross checks PTC Listing Employees with 1095-Cs.
 - *The non-necessary 1095-Cs increase the reported FT count (which increases the dollar amount of the “A” penalty) and also creates additional forms that may be otherwise incomplete/inaccurate.*
- IRS intends to audit on the “highest value work” and not via a random selection process. The IRS has data and processes in place to verify the employer’s verification in Part III; Column (a) that the 70%(2015)/95% (2016+) threshold was met.

Time to Re-Examine Your Compliance Process

- A significant portion of the Section 4980H penalty assessments in 2015 has been caused by errors in the compliance process.
- With the year starting, now is a good time to re-examine your compliance process to find out if there are any potential errors that can lead to significant IRS penalties future filings.
- A re-examination will also provide you with the opportunity to correct past filings with the IRS before being assessed penalties. Especially, if you want to qualify for the “good faith” effort afforded for the 2015-2018 tax years.

Six Common Errors that Impact ACA compliance and IRS penalties

Failure to Make Continuous Offers of Coverage

Why it's important

- ALEs are required to extend offers of coverage to their full-time workforce (and their dependents) for each month of a reporting year.
- Failure to do so can result in 4980H penalties, which can add up to large amounts.

What to do

- Have in place at least one healthcare plan that meets Minimum Essential Coverage for at least 95% (2016 and thereafter) of all full-time employees and their dependents.
- Have in place at least one healthcare plan for each full-time employee that meets Minimum Value and is Affordable.
- The plan(s) should cover the entire reporting year.

Not Tracking and Reporting Accurate and Current Census Information for Employees

Why it's important

- Census information, particularly the name and social security number (SSN), are needed to complete the 1095-C Schedules.
- Accurate 1095-C Schedules are required to be furnished to the employees and filed with the IRS.

What to do

- Periodically check-in with your workforce to make sure you have the most current and complete information.
- Key elements include the employee's position title, rate of pay, whether FT or PT designation, and whether a seasonal employee.

Failure to Identify All Full-Time Designated Employees

How the ACA defines a Full-Time Employee:

- A full-time employee under the ACA provides 30 hours of service per week or 130 hours per month.
- Full-time employees are those hired by the Employer with the reasonable expectation that they will be working “full-time” hours of service.

What to do

- Make sure full-time designated employees are accurately identified in your database.
- Make sure you are going off of the ACA standard of a “full-time” employee (30 hours per week or 130 hours per month).
- Ensure waiting period policy for full-time designated employees complies with ACA’s 90-day period limit.

Incorrectly Applying One of the Two IRS-Approved Measurement Methods

- The IRS has sanctioned only two methods for determining “full-time” (FT) under the ACA. While both methods are based on hours of service, the underlying calculations for determining hours of service are vastly different.
 - Monthly Measurement Method (MMM)
 - Look-Back Measurement Method (LBMM)

The Monthly Measurement Method

- The MMM to determine FT status is generally designed for a workforce made up primarily of FT employees. Unlike the LBMM, the MMM determines hours of service (to establish FT status) at the end of each month.
- Example: Employee X works 150 hours in January, X is locked in as ACA full-time for that month. X works 120 hours in February, X is part-time for that month.

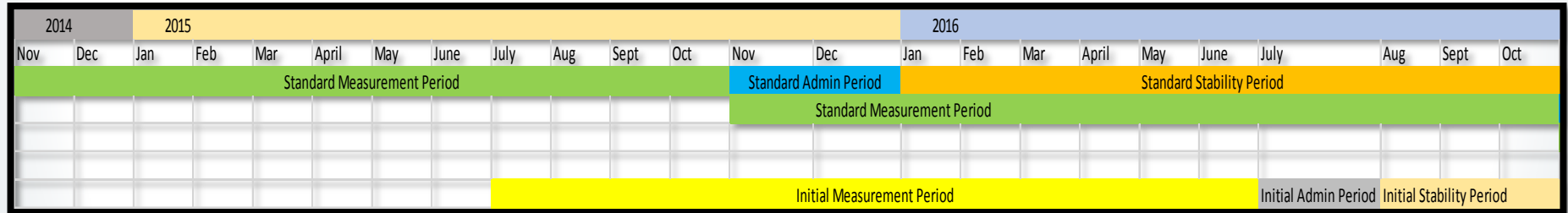
The Look-Back Measurement Method

- The LBMM determines hours of service (to establish FT status) using a “look back” method that tracks prior hours. It can be a complicated method:
 1. Measurement Period (MP): A 3-12 month time window in which an employee can be measured.
 2. Administrative Period (AP): An optional timeframe following the MP not to exceed 90 days (not 3 months).
 3. Stability Period (SP): The period that immediately follows the MP (or AP, if any) in which an employee’s status is locked. (*Additional rules apply*).

ACA Compliance Errors & Solutions #4

The Look-Back Measurement Method Visualized

- In the event a new employee X is hired after the beginning of the Standard MP (SMP), X will be measured on an Initial MP (IMP) to applied status during X's SP.
 - Once the 2nd SMP starts, X will be measured on the IMP and the 2nd SMP
 - Once X has completed their IMP, X will continue to be measured *only* on the recurring SMP.



The diagram above shows a Calendar Year Plan with respective Standard SPs and MPs.

Note the IMP and SMP from November 2015 onward.

ACA Compliance Errors & Solutions #4

What to do

- Determine which method(s) will be used based on your workforce composition (mainly full-time or mainly variable-hour/ seasonal/ part-time).
 - Salaried, full-time designated employees
 - Variable Hour
 - Part time
 - Seasonal employees
 - *Distinct* from “seasonal workers”
 - Influx of hours/wage
- Align the measurement method with your applicable health plan year (calendar year/ non-calendar year).
- Monitor payroll records.

Not Documenting Your Compliance with ACA Requirements

Why it's important

- Documentation will be needed to defend against an IRS audit or inquiry, including an IRS Letter 226J.
- Documentation will help defend against an exchange notice identifying PTC recipients.
- Audits can happen years later with fading memories and HR staff changes. (See *recently issued Letter 226J for 2015 year*).

What to do

- There should be documentation that the offered plan(s) meet (a) minimum essential coverage and are available to both employees and dependents, and (b) at least one plan that meets minimum value and is affordable for the employee, for the reporting year. *Note non-calendar year plans.*
- Such documentation may be found among Summaries of Benefits of Coverage and Enrollment Guides, Employee Handbook, Summary Plan Documents, Employee Premium Rate Sheets and/or Acknowledgement of Offer of Coverage.

ACA Compliance –Sample Summary of Benefits and Coverage

Sample SBC showing MEC/MV

Kaiser Permanente: TRADITIONAL PLAN

Summary of Benefits and Coverage: What this Plan Covers & What it Costs

Coverage Period: 03/01/2017-02/28/2018

Coverage for: Individual+Family | Plan Type: HMO



This is only a summary. If you want more detail about your coverage and costs, you can get the complete terms in the policy or plan document at www.kp.org/plandocuments or by calling 1-800-278-3296.

Important Questions	Answers	Why this Matters:
What is the overall deductible?	\$0	See the Common Medical Events chart below for your costs for services this plan covers.
Are there other deductibles for specific services?	No.	You don't have to meet deductibles for specific services, but see the chart starting on page 2 for other costs for services this plan covers.
Is there an out-of-pocket limit on my expenses?	Yes. \$1,500 Individual/\$3,000 Family	The out-of-pocket limit is the most you could pay during a coverage period (usually one year) for your share of the cost of covered services. This limit helps you plan for health care expenses.
What is not included in the out-of-pocket limit?	Premiums, health care this plan doesn't cover, and cost sharing for certain services listed in plan documents.	Even though you pay these expenses, they don't count toward the out-of-pocket limit .
Is there an overall annual limit on what the plan pays?	No.	The chart starting on page 2 describes any limits on what the plan will pay for <i>specific</i> covered services, such as office visits.
Does this plan use a network of providers?	Yes. For a list of plan providers , see www.kp.org or call 1-800-278-3296.	If you use an in-network doctor or other health care provider , this plan will pay some or all of the costs of covered services. Be aware, your in-network doctor or hospital may use an out-of-network provider for some services. Plans use the term in-network, preferred , or participating for providers in their network . See the chart starting on page 2 for how this plan pays different kinds of providers .

Does this Coverage Provide Minimum Essential Coverage?

The Affordable Care Act requires most people to have health care coverage that qualifies as “minimum essential coverage.” This plan or policy **does provide** minimum essential coverage.

Does this Coverage Meet the Minimum Value Standard?

The Affordable Care Act establishes a minimum value standard of benefits of a health plan. The minimum value standard is 60% (actuarial value). This health coverage **does meet** the minimum value standard for the benefits it provides.

ACA Compliance Errors & Solutions #5

What to do

- Ideally, to show offer of coverage, implement an Acknowledgement of Offer system to make sure you track proof of offers made to each full-time member of your workforce.
- For ongoing full-time employees, ensure each receives an annual offer of coverage. Keep in mind special enrollment.
- For new full-time designated employees, ensure each receives an offer of coverage no later than 90 days of hire (shorter depending on your company's waiting period policy).
- If you are using the LBMM, for new variable hour employees, ensure each receives an offer of coverage by the start of his/her stability period.

ACA Compliance Errors & Solutions

Here is a Sample Acknowledgement of Offer Form

12-1234557

ABC Company,

Acknowledgement of Offer of Coverage UNDER

Employee Name: Kasubuchi, Gregg

Date Offer Communicated to Employee: _____

Required Effective Start Date*: 1/1/2018

Health Plan(s) Eligibility** 1/1/18 - 12/31/18
If no date is listed here, eligibility will continue throughout continued employment until the

I acknowledge that the ABC Company, Inc (the "Company") offered to me and my dependents (if any) under the age of 26 coverage through the healthcare plan(s). I further acknowledge that the Company explained the offered healthcare plan(s) to me, including notice that the healthcare plan(s) satisfies(y) the Affordable Care Act's definitions of minimum essential coverage and minimum value and the required monthly contributions to enroll onto the healthcare plan(s). I further acknowledge that I may either choose to enroll in the healthcare plan(s) or opt-out of such coverage.

I understand that I have been given the right to enroll for coverage under the Company's healthcare plan(s). I agree that, in the event I choose to opt-out, I will complete a "Waiver of Coverage" form and pay a tax penalty by the Internal Revenue Service for my dependents (if any) because of other coverage. I understand that if I do not enroll onto healthcare coverage within 30 days after the loss of such other coverage, I will be deemed to have waived the opportunity to enroll onto the healthcare plan(s) and will be ineligible for 30 days of losing such other coverage.

In addition, I understand that if there is a change in my status, the Company will give the opportunity to enroll onto the healthcare plan(s) and that the opportunity to enroll requires the payment of the required monthly contributions for health coverage being offered to me, my spouse (if any) and/or my dependents (if any) should one or more of us lose eligibility for that other qualifying coverage. However, I understand that the opportunity to enroll requires the payment of the required monthly contributions for health coverage being offered to me, my spouse (if any) and/or my dependents (if any) should one or more of us lose eligibility for that other qualifying coverage. However, I understand that the opportunity to enroll requires the payment of the required monthly contributions for health coverage being offered to me, my spouse (if any) and/or my dependents (if any) should one or more of us lose eligibility for that other qualifying coverage.

I have reviewed this form, understand its contents, and I certify that all of the information completed on this form is true, correct and complete.

Employee Signature

Date

* Required effective date determined using ACA methodology
** Assuming continuous employment, you will remain eligible for health coverage until this date, on which your eligibility may change.

12-1234557

ABC Company, Inc

Acknowledgement of Offer of Coverage UNDER ABC Company HEALTHCARE PLAN(s)

Employee Name: Kasubuchi, Gregg **Employee SS#:** 123-22-1234

Date Offer Communicated to Employee: _____

Required Effective Start Date*: 1/1/2018 **Actual Effective Start Date:** _____
(Enter only if different than Required Effective Start date)

Health Plan(s) Eligibility** 1/1/18 - 12/31/18
If no date is listed here, eligibility will continue throughout continued employment until the Company determines otherwise.

I acknowledge that the ABC Company, Inc (the "Company") offered to me and my dependents (if any) under the age of 26 coverage through the healthcare plan(s). I further acknowledge that the Company explained the offered healthcare plan(s) to me, including notice that the healthcare plan(s) satisfies(y) the Affordable Care Act's definitions of minimum essential coverage and minimum value and the required monthly contributions to enroll onto the healthcare plan(s). I further acknowledge that I may either choose to enroll in the healthcare plan(s) or opt-out of such coverage.

I have reviewed this form, understand its contents, and I certify that all of the information completed on this form is true, correct and complete.

Employee Signature

Date

* Required effective date determined using ACA methodology
** Assuming continuous employment, you will remain eligible for health coverage until this date, on which your eligibility may change.

ACA Compliance Errors & Solutions #5

What to do

- Store documentation in a readily accessible location.
- Periodically review documentation to identify gaps that can be addressed and to identify employee level inconsistencies and errors. (Compliance checks should be a monthly process and not a year-end chore).
- Conduct a Penalty Risk Assessment on previous filed 1094/1095 Schedules.

ACA Compliance Errors & Solutions #5

Sample Monthly Report

ABC Company, Inc. 12-1234123	2017			YTD Avg per Month
	Jan	Feb	Mar	
# of Active Employees	4999	4861	4784	4771
# of FT Employees	1146	1145	1140	1123
# of PT Employees	2056	1959	1826	1875
In Measurement - Trending/Pending FT	54	55	61	56
In Measurement - Trending/Pending PT	1087	1322	1508	1373
In Measurement - First Month (Pre-IMP) or Short Tenure	656	380	249	344
# FT in LNAP*	65	69	38	58
# FT, NOT in LNAP*	1081	1076	1102	1065
# FT, non-LNAP*, with Offer of Covg	932	904	957	916
# FT, non-LNAP*, without Offer of Covg	149	172	145	149
# FT, non-LNAP*, Offered Affordable, MV, Dep Covg	916	869	929	887
% FT, non-LNAP*, Offered Affordable, MV, Dep Covg	84.7%	80.8%	84.3%	83.3%
# FT, non-LNAP*, Not Offered "Aff, MV, Dep" but Enrolled	1	0	1	1
4980H(a) Compliance %	86.2%	84.0%	86.8%	
4980H(a) Threshold Met	No	No	No	
Total employees triggering 4980H Exposure	164	207	172	177
4980H(a) Maximum Potential Estimated Exposure	\$199,068	\$198,127	\$203,023	\$196,102
4980H(b) Maximum Potential Estimated Exposure	\$0	\$0	\$0	\$0
Total Estimated 4980H Exposure, by month	\$199,068	\$198,127	\$203,023	\$196,102

Total Estimated 4980H Penalty Exposure, YTD:	\$ 784,408
Estimated 4980H(a) Penalty Exposure, YTD	\$784,408.33
Estimated 4980H(b) Penalty Exposure, YTD	\$0.00
Unique FT Employees triggering 4980H Penalty Risk, YTD	341

Monthly ACA Compliance Report – Missing Offers of Coverage

Monthly Action Item: Missing Offers of Coverage

Section 1: Missing Offers of Coverage

44					Months FT and missing Offer of Coverage (Months that show "M" are months for which an offer of coverage is missing)												Current First Capitol Offer of Coverage Records		(1) If First Capitol's Offer of Coverage records are correct: write "Yes".	Update Offer of Covg records below if required. (If not required, leave blank).	
Full Name	SSN	Date of Birth	EIN	Most Recent EIN	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Offer of Coverage Start Date	Offer of Coverage End Date		(2) If not correct: write "No". Then update the Offer of Covg dates in the columns to the right.	Offer of Coverage Start Date
ABC	000-00-0000	1/01/00	00-00000000	00-00000000	M												2/1/2017	6/30/2017			
ABC	000-00-0000	1/01/00	00-00000000	00-00000000	M	M	M	M	M												
ABC	000-00-0000	1/01/00	00-00000000	00-00000000	M												2/1/2017				
ABC	000-00-0000	1/01/00	00-00000000	00-00000000	M												2/1/2017	6/30/2017			
ABC	000-00-0000	1/01/00	00-00000000	00-00000000	M												2/1/2017	6/30/2017			
ABC	000-00-0000	1/01/00	00-00000000	00-00000000	M												2/1/2017	6/30/2017			
ABC	000-00-0000	1/01/00	00-00000000	00-00000000	M												2/1/2017	6/30/2017			

Monthly ACA Compliance Report – Pending Required Offers of Coverage

Monthly Action Item: Pending Offers of Coverage

Section 2: Pending Required Offers of Coverage

10

Full Name	SSN	Date of Birth	EIN	Most Recent EIN	Required Offer of Coverage Effective Start Date	Offer Type (New or Continuing)	FT Eligibility will continue until at least:	Make Offer with Effective Date shown. Then write "Yes" . Note: If Offer is made with different effective date, write the date (and do not write Yes).	Comments
ABC	000-00-0000	1/01/00	00-0000000	00-0000000	2/1/2018	New FT			
ABC	000-00-0000	1/01/00	00-0000000	00-0000000	1/1/2018	New FT			Shows recent offer - if accurate, do not need to re-offer
ABC	000-00-0000	1/01/00	00-0000000	00-0000000	1/1/2018	New FT			Shows recent offer - if accurate, do not need to re-offer
ABC	000-00-0000	1/01/00	00-0000000	00-0000000	1/1/2018	New FT			Shows recent offer - if accurate, do not need to re-offer
ABC	000-00-0000	1/01/00	00-0000000	00-0000000	1/1/2018	New FT			
ABC	000-00-0000	1/01/00	00-0000000	00-0000000	3/1/2018	New FT			
ABC	000-00-0000	1/01/00	00-0000000	00-0000000	1/1/2018	New FT			Shows recent offer - if accurate, do not need to re-offer
ABC	000-00-0000	1/01/00	00-0000000	00-0000000	1/1/2018	New FT			Shows recent offer - if accurate, do not need to re-offer
ABC	000-00-0000	1/01/00	00-0000000	00-0000000	2/1/2018	New FT			Shows recent offer - if accurate, do not need to re-offer
ABC	000-00-0000	1/01/00	00-0000000	00-0000000	3/1/2018	New FT			

Monthly ACA Compliance Report – Acknowledgement of Offer Forms

Monthly Action Item: Acknowledgement Forms

«ClientName»

Acknowledgement of Offer of Coverage UNDER «ClientName» HEALTHCARE PLAN(s)

Employee Name: «FullName» _____

Employee SS#: «SSN» _____

Date Offer Communicated to Employee: _____

Required Effective Start Date*: «ReqOfferCovEffStartDate» _____

Actual Effective Start Date: _____
(Enter only if different than Required Effective Start date)

Health Plan(s) Eligibility** «FTEligContuntil» _____

If no date is listed here, eligibility will continue throughout continued employment until the Company determines otherwise.

I acknowledge that the «ClientName» (the “Company”) offered to me and my dependents (if any) under the age of 26 coverage through the healthcare plan(s). I further acknowledge that the Company explained the offered healthcare plan(s) to me, including notice that the healthcare plan(s) satisfies(y) the Affordable Care Act’s definitions of minimum essential coverage and minimum value and the required monthly contributions to enroll onto the healthcare plan(s). I further acknowledge that I may either choose to enroll in the healthcare plan(s) or opt-out of such coverage.

I understand that I have been given the right to enroll for coverage under «ClientName» healthcare plan(s) and have been provided the opportunity to so enroll. I agree that, in the event I choose to opt-out, I will complete a “Waiver Form” provided by the Company as documentation of my decision to waive the offered coverage. I understand that if I do not enroll onto healthcare coverage for myself and my dependents (if any), I may be assessed a tax penalty by the Internal Revenue Service. I further understand that if I decline to enroll either on behalf of myself, my spouse (if any), and/or my dependents (if any) because of other health insurance or group health plan coverage, I may be able to enroll myself, any spouse and/or any dependents if I, any spouse or any dependents lose eligibility for that other coverage. However, I understand that I must request enrollment within 30 days after the loss of such other coverage.

Monthly ACA Compliance Report – Supporting Documentation

Audit Readiness Dashboard



	Supporting Document Compliance % by Month											
	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
# Offers of Health Coverage Claimed	779	794	795	792	792	768	760	754	759	759	758	755
With Supporting Document	709	724	725	723	723	701	710	704	709	709	708	705
Supporting Document Compliance %	91%	91%	91%	91%	91%	91%	93%	93%	93%	93%	93%	93%

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Missing Supporting Documents (i.e. Acknowledgement of Offer of Coverage, or Waiver, or Invoice)

Full Name	Most Recent EIN	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
ABC	00-0000000	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing
ABC	00-0000000	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing
ABC	00-0000000	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing
ABC	00-0000000	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing
ABC	00-0000000	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing
ABC	00-0000000	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing	Missing

Not Tracking the Enrollees on Your Medical Plans

Why it's important

- Enrollment is identified by specific coding on the 1095-C schedules.

What to do

- Review your medical invoices monthly. (Medical invoices often identify which individuals are enrolled).
- Make sure enrollees on the invoices are still employed.
- Speak with your broker/carrier about how the invoices are laid out.

1 Series Codes

- 1A: Qualifying Offer (MEC, MV to FT with self-only coverage Affordable under FPL)
- 1B: MEC and MV to EE only
- 1C: MEC and MV to EE and dependents (not spouse)
- 1D: MEC and MV to EE, dependents and spouse
- 1E: MEC and MV to EE; MEC to dependents and spouse
- 1F: MEC but not MV to EE, dependents and/or spouse
- 1G: Offer of coverage to EE (non-FT for any month) and enrolled in self-insured coverage for 1+ month(s)
- 1H: No offer of coverage (or coverage that is not MEC)
- 1I: Qualifying Offer Transition Relief 2015: no offer to EE/dependents/spouse; received an offer that is not qualifying, or received a qualified offer for less than 12 months

2 Series Codes

- 2A: Not employed that month
- 2B: Not a FT that month
- 2C: Enrolled in offered coverage
- 2D: In a limited non-assessment period
- 2E: Multi-employer interim rule relief (e.g., coverage through CBAs on behalf of contributing ER)
- 2F: W-2 safe-harbor (means Line 15 corresponds to no more than 9.5% [as adjusted] to W-2 income)
- 2G: FPL safe-harbor (means Line 15 corresponds to no more than 9.5% [as adjusted] to FPL)
- 2H: Rate of Pay safe-harbor (means Line 15 corresponds to no more than 9.5% [as adjusted] to Monthly Pay based on Rate of Pay [hourly rate x 130 hours or monthly salary])
- 2I: Non-calendar year transition relief



Questions?

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A person in a Star-Lord costume from the movie Guardians of the Galaxy is in the background, wearing the iconic orange and blue suit with a silver mask. The background is a vibrant, colorful nebula with shades of blue, purple, and orange.

GUARDIANS OF THE FINANCE GALAXY

THE 2019 CSMFO ANNUAL CONFERENCE

Setting up a Successful ACA Compliance Program

Carlos Carrazco, Finance Director, City of South El Monte



Agenda

- ACA Basics
- Who This affects
- Take One Extra Step
- Conduct the analysis
- Let the correct people know

ACA Basics

- Must offer medical coverage to **Full Time Employees:**
- **EE < 30 hours per week or**
- **EE < 130 per month**
- CALPERS VS ACA very different

Who is Affected

- Human Resources
- Payroll
- Department Heads

Take One Extra Step

- Very important to speak with direct supervisors
- They are in control of the schedules
- Educate them

Conduct The Analysis

- Very time consuming
- Need to dedicate staff time to conduct the analysis, send out letters, and process responses
- First Capitol works with the City to identify employees, issue offer letters and keep the City in Compliance

Let the Correct People know

- In my city it is payroll's responsibility to provide staff time reports
- These reports are very important
- These reports need to be sent to the supervisors.