AFFORDABLE CARE ACT & TECHNOLOGY: PAST, PRESENT AND FUTURE
Atlanta, GA (September 2016)
Meeting Agenda

› Introductions
› 2015 - Recap
› 2016 - Challenges for Employers
  ▪ Data
  ▪ Monthly Compliance
  ▪ Tax Forms
  ▪ Subsidies
  ▪ Employee Communications
› Question and Answer
The Market Leader in ACA Compliance

18,200 ALE members
37,000,000 total employees managed
16,400,000 average employees per month
7,100,000 1095-Cs sent for 2015 tax year
The Equifax Difference

Our data security, award-winning technology, and senior leadership’s commitment to our ACA business sets us apart from other vendors.

**Data Security**
- Security certifications
  - ISO 27001 certified
  - SSAE 16 report
  - FISMA certification from the government
- Security team of 200+ employees
- Continuous education and training of employees

**Technology**
- N-Version programming to ensure accuracy
- 3rd party legal audits to ensure compliance
- Built on *proven* data analytics platform
- Award-winning
- Already releasing 2nd generation platform

**Commitment**
- Growing our ACA product line and client base is one of our top 5 corporate initiatives
- Relationship with CMS, IRS, and other government agencies further establishes us in the ACA compliance space
2015
Year in Review
ACA Evolution

2014
- Eligibility

2015
- Compliance

2016
- IRS Reporting
- Risk Mitigation
- Lookback / Monthly Measurement

2017
- Workforce Planning
- Legislative Changes
- Forms Submission / Dispute Resolution

...
2015 – Key Issue: King vs. Burwell
2015 Eligibility Observations

- 68% percentage of employees that were designated as variable hour in 2015
- ~5% percentage of variable employees that were measured full-time in 2015
- <20% Enrollment rate for variable employees that were offered coverage
2016 Key Issue - Election:

Hello my friend...

He's not your friend.....!

He's mine!
Challenges facing Employers

Most companies say the administrative burdens posed by the healthcare reform law is their biggest issue.

- Admin issues, 57%
- Cost issues, 21%
- Plan design issues, 11%
- Communication issues, 10%
- Other, 1%

Source: IFEBP
2016 Challenges for Employers
Regulatory Changes...

ACA changes and updates to keep on your radar in 2016:

- 95% is the new 70%
- 50 is the new 100
- Tax Form Changes
- Excise Tax, FLSA ?
- IRS fines ?
- No Extension / Self Certify
Keys to Success in 2016

Data is Everything!
The importance of data quality & common challenges to understand and avoid

Form 1095/1094 Reporting
Two forms to rule them all! What's new for 2016.

Employee Communications
What's this form? Why did you appeal my subsidy?? Anticipating and addressing these questions and more.

Monitoring Monthly Compliance
Why you can’t afford to wait until the end of the year to monitor and manage risk

Subsidies & Appeals
When employees collect premium tax credits (subsidies), the impact on you as the employer can be significant.
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Anticipate Data Complexities
The only constant is change

Common Data Challenges

- Benefit Transactions and Effective Dates
- Leave of Absence
- COBRA / Union / Retirees
- Pay Data w/ Multiple FEINs
- Dependents
- Static Data
Additional Challenges

- Change in Systems
- Change in Providers
- Change in Staff
- New Requirements
- Historical Access

[Diagram showing HRIS, Payroll, and Benefits]
Data Management: Vender Solution
Data Management: Summary

Schedule regular meetings with all data stakeholders to prevent delays or disruptions.

Perform regular spot checks to ensure accuracy and make year-end validation and reporting easier.

Ensure regular transmission of all data from 3rd party providers.

If planning to implement a new payroll, HRIS, or benefits platform, make sure you understand how it impacts ACA compliance.
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4980H Penalties Assessed Monthly
Know your risk exposure and avoid year-end surprises.

4980H(a): The “A” fine
- Who’s liable: ALEs who fail to offer MEC to 95% of FT employees and have at least one FTE who qualifies for a subsidy
- Penalty: $2,160/year per full-time employee
- Assessed monthly: $180 per month

4980H(b): The “B” fine
- Who’s liable: ALEs who fail to offer affordable, minimum value coverage to any FT employee who qualifies for a subsidy
- Penalty: $3,240/year for each eligible EE not offered
- Assess monthly basis: $270 per month
The “C” Penalty - The Hidden Penalty

While not an actual fine, the cost to cover an employee who was inaccurately determined as full time can be substantial.

The average family premium is $16,655 per year* (Employee = $4,518, Employer = $12,137).

Just 10 mistakes a year can be costly

\[
10 \times \$12,137 = \$121,370
\]

*Source: Kaiser Family Foundation
### Part II Employee Offer and Coverage

<table>
<thead>
<tr>
<th>Offer of Coverage (enter required code)</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>Aug</th>
<th>Sept</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>All 12 Months</td>
<td>1H</td>
<td>1H</td>
<td>1H</td>
<td>1H</td>
<td>1H</td>
<td>1H</td>
<td>1H</td>
<td>1H</td>
<td>1H</td>
<td>1H</td>
<td>1H</td>
<td>1H</td>
<td>1H1</td>
</tr>
</tbody>
</table>

| Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage | $    | $    | $    | $    | $    | $    | $    | $    | $    | $    | $    | $    | $    |

| Applicable Section 4980H Safe Harbor (enter code, if applicable) | 2A   | 2A   | 2A   | 2A   | 2A   | 2A   | 2A   | 2A   | 2A   | 2B   | $    | $    | $    |

| 16 Applicable Section 4980H Safe Harbor (enter code, if applicable) | 2A   | 2A   | 2A   | 2A   | 2A   | 2A   | 2A   | 2A   | 2A   | 2B   | $    | $    | $    |

### Example: John was hired by the hospital but is not employed until October 20th, and will not be eligible for coverage until February 1, 2017.

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**NOTE:** John would not receive a 1095c since he was never a FT employee for the year and was never on the company’s health plan.

**Exception:** If you fail to offer coverage on time in February, the Limited Non-Assessment period is vacated and he would be measured monthly Oct-Dec which could create a FT status and necessitate a tax form. A penalty could also apply.
Compliance: Vended Solution
Regular monitoring mitigates risk and reduces penalties.

Know your risk!
Monthly Compliance: Now What?

- Assess internal readiness; do you have the data and tools in place to monitor monthly results?
- Develop an internal communication plan, ensuring that clean ownership is established among stakeholders and leadership.
- Have policies in procedures in place for risk mitigation (e.g., what actions will be taken if compliance results fall below the desired threshold).
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1095c – What’s Changed

- Code 1J and 1K added
- Code 1I reserved - no longer valid
- Penalty for failure to file = $260
- Line 14 indicator code 2I is now designated “Reserved”
- The language “Do not attach to your tax return. Keep for your records.” was inserted under the title of the form to inform the recipient that Form 1095-C should not be submitted with the return.

- Deadlines
- SSN Solicitation Rules
1094c - What’s Changed

- Authoritative Transmittal
- Name / EIN should match or IRS will reject
- Changes in transitional relief – line 22 (Box B & C)
- “Other ALE Members aggregated ALE group (name and/or EIN)” was added as an item that needs to be corrected
The IRS Transmittal Process is Lengthy

The steps necessary in order to file to the IRS are detailed, take time, and are not trivial.

- Information transmitted through the AIR system (ACA Information Return System)
- 4 important steps (*if filing directly*):
  
  1. **Step 1: Register**
  2. **Step 2: Obtain Transmitter Codes**
  3. **Step 3: Test in the AIR System**
  4. **Step 4: File!**
# Reviewing IRS feedback

<table>
<thead>
<tr>
<th>Status</th>
<th>Definition</th>
<th>Action Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accepted</td>
<td>The 1094-C and 1095-Cs transmitted for this EIN were accepted, and no errors were found when processed by the IRS.</td>
<td>No further action is required!</td>
</tr>
<tr>
<td>Accepted with Errors</td>
<td>The entire transmission for this EIN was accepted, which means you have successfully filed as of the date your forms were transmitted, but the IRS identified some records that require correction.</td>
<td>You may need to file a corrected return. Please review the specific IRS feedback to determine which records require attention and how to address them.</td>
</tr>
<tr>
<td>Partially Accepted</td>
<td>This means you have a combination of Accepted and Rejected data: for this EIN, at least one record was Accepted, and at least one record was Rejected.</td>
<td>You may need to file a replacement return. Please review the specific IRS feedback to determine which records require attention, and please see &quot;Rejected&quot; immediately below for more information.</td>
</tr>
<tr>
<td>Rejected</td>
<td>The entire transmission for this FEIN was rejected. You have 60 days from the original transmittal date to re-transmit corrected, acceptable returns and still be timely. If you do successfully retransmit within the 60-day window, you will be treated as having filed on the original transmittal date.</td>
<td>You may need to file a replacement return. Please review the specific IRS feedback to determine which records require attention and how to address them.</td>
</tr>
</tbody>
</table>
Tax Forms: Vended Solution

Online validation, correction!
Form 1095/1094 Reporting: Summary

- Have a defined testing window with ample time for data validation. Then test again!
- Confirm expectations with external vendors to clarify ownerships of data preparation, printing and mailing, and IRS file transmission.
- Make sure the system/vendor you are using performs pre-validation checks that align with the AIR schema and business rules.
- Ensure you are doing solicitations for TIN validations throughout the year and have evidence that good faith efforts were made.
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Subsidy Notifications are Here!
The Federal Exchange has started releasing notifications for Advanced Premium Tax Credits.
Exchange Types and Deferrals

- Federal Exchange manages 38 states
- 12 states and D.C. created their own Exchanges (SBMs)
  - 8 have deferred to the Federal employer appeal process (blue)
- For 2016, 6 total appeals processes (red)
  - Federal*
  - Connecticut*
  - Idaho
  - Minnesota*
  - Rhode Island
  - Washington*
# Identified Problems for Employers

## Notification
- Address for employers – no Official Mailing Address
- Late appeals automatically dismissed
- Batched or sent individually

## Information
- Minimal employee/employer identifying information (State Forms)
- Uncertainty about what triggered notice

## Communication
- Snail mail notifications – reachable only by mail or fax
- Inconsistent response methods – no lasting Power of Attorney
- Long timelines
Subsidies – Notices vs. Fines

Appeals Process – CMS / HHS

No notices will be sent for 2015

2016 Notices are being issued as of June

The subsidy process (notifications, appeals, etc.) is handled by CMS. All fines and fine disputes are handled by the IRS. The two processes are completely separate.

Fine Process – IRS

Up to 12 Months Repaid Subsidy

Employee gets one shot. Determination is final. Employee can appeal result if subsidy is denied.

If appealed by employee, HHS will make final determination via hearing and employer may be asked to participate.

If the employer prevails, the employee may be required to repay all awarded subsidies.
What to Include in an Appeal Response

Three Things:

1. Proof of Offer

Documents showing that employer-sponsored coverage was offered to the employee, the period of time for which coverage was offered during 2016, and any applicable waiting period:

- Form or letter confirming the employee’s election of benefits from employer
- Employer-sponsored coverage declaration form or notice
- Employee’s benefits summary chart
- Letter from health insurance company stating that the employee and any dependents are enrolled in employer-sponsored coverage
What to Include in an Appeal Response

Three Things:

2. Affordability

Documents showing the employee’s job-based income and frequency of payment:
• Copy of employee’s pay stubs (for rate of pay Safe Harbor)
• Payroll ledger or worksheet (for rate of pay Safe Harbor)
• Previous year’s W-2 Form (for W-2 Safe Harbor)

Documents showing the employee’s required share of the premium amount for the lowest-cost self-only plan offered to the employee in 2016: (provide for all Safe Harbors)
• Rate sheet of employer-sponsored coverage offered to employee
• Summary of Benefits and Coverage Sheet (SBC)
• Pay stubs showing the amount and frequency of premium deductions for the lowest cost self-only coverage plan
What to Include in an Appeal Response

Three Things:

3. Minimum Value

Documents showing that the lowest cost self-only plan being offered to the employee for 2016 meets the minimum value standard. This means that the plan is designed to pay at least 60% of the total cost of medical services for a standard population and its benefits include substantial coverage of inpatient hospital and physician services:

- Summary of Benefits and Coverage Sheet (SBC)
- Report of Minimum value certification from an actuary accredited by the American Academy of Actuaries (AAA)
Which Notices Should You Appeal?

- Full time Employee?
  - YES
  - NO
- Offered coverage?
  - YES
  - NO
- Affordable?
  - YES
  - NO
- Minimum Value?
  - YES
  - NO

(LIKELY) NO APPEAL

APPEAL
Subsidy Appeals: Summary

- The Health Insurance Marketplace has released the employer appeals form.
- Notices and Fines are wholly separate (CMS and IRS do not communicate).
- 2015 subsidy notices will not be set, but 2015 subsidy fines are still applicable.
- Appealing subsidies does not prevent a fine.

Why Appeal?

- It could provide evidentiary support for potential fine appeal and could also eliminate reporting from the Marketplace to the IRS if the appeal is successful.
- It can reduce the tax liability for the employee.
- Responding to federal notices is good practice and can strengthen “good faith” defense. Reduce IRS scrutiny.
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Challenge: Employees Questions

- Why am I getting penalized for not having coverage?
- I don’t remember being offered coverage. When was the offer made?
- What is form 1095 and why is my tax return asking for it?
- Am I eligible now? Why not? When will I become eligible?
- Why didn’t I get a 1095 form? What am I supposed to put on my 1040?
Employees Will Have 1095 Questions
Educate employees to avoid a flood of questions.

› Start educating now!
› Ongoing education is important
› Consider different delivery channels (what best suits your company and culture?)
› Resources and operational plan to support inbound inquiries during tax season

Free Resources available at:
• www.mytaxform.com
• www.equifax.com/1095info
Employee Communications: Summary

- Don't underestimate the importance of the marketplace notification
- Educate employees about the 1095 early and often
- Have a plan to handle and respond to employee inquiries during and after tax season
- Don't manage subsidy appeals in a vacuum! Consider employee impact as part of the decision and management process
Any Questions?
For more information, please contact:

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