Health Care Reform—IRS Reporting Requirements for Health Plans and Large Employers

September 17, 2013

Introduction
On September 5, 2013, the Internal Revenue Service (IRS) published two proposed rules related to information reporting requirements under the Patient Protection and Affordable Care Act (ACA, i.e., federal health care reform). This document describes key elements of the proposed rules and their impact on health plans in The United Methodist Church:

- **Internal Revenue Code Section 6055 Reporting**—Applies to health insurance companies, self-insured employer plans, and other parties that provide minimal essential health coverage (MEC) as defined under the ACA, including HealthFlex and many annual conference health plans; and

- **Internal Revenue Code Section 6056 Reporting**—Applies to “applicable large employers,” i.e., employers that are subject to the ACA’s Employer Shared Responsibility Rule because they have at least 50 full-time equivalent employees.

Impact on Annual Conferences and Other UMC Employers
Annual conferences and other United Methodist Church (UMC) employers that maintain self-insured health plans will be subject to Section 6055 reporting. In addition, some annual conferences, general agencies and some large churches in the Connection will be subject to Section 6056 Reporting if they are applicable large employers, The General Board of Pension and Health Benefits (General Board) will provide additional information in the future to help annual conferences, local churches and other UMC employers comply with these reporting requirements.

Impact on HealthFlex Plan Sponsor Groups
Most likely, the General Board will perform the Section 6055 reporting on behalf of annual conferences, local churches and other salary-paying units whose clergy and other employees are covered under HealthFlex.

Purposes of the Reporting Requirements
The Section 6056 Reporting Rule is necessary to determine whether applicable large employers are complying with the ACA’s Employer Shared Responsibility Rule. Section 6056 reporting will also identify individuals who are ineligible for premium tax credits for health plans purchased on the ACA’s exchanges (Health Insurance Marketplace) because they have been offered coverage by their employer.

Section 6055 Reporting
The Section 6055 Reporting Rule will assist the IRS in determining whether Americans are complying with the ACA’s individual mandate (i.e., the requirement for most Americans to have health coverage or pay a tax penalty).
A. What to Report
Entities subject to Section 6055 reporting must include in the report to the IRS:

- Name of each individual who has minimum essential coverage (including covered spouse and dependents);
- Name and address of the “responsible person” through whom the individual has coverage (generally the primary participant, employee or applicant);
- Taxpayer identification number (TIN, which is generally the Social Security number) for each covered individual, including covered dependents; and
- Calendar months for which each individual was covered during the calendar year.

Penalties for failure to report will be waived if the plan makes an initial attempt to collect the TIN for covered dependents (e.g., at enrollment) and two subsequent annual TIN solicitations. The plan can report a birth date if reasonable efforts to obtain the TIN fail. Entities need only report the last known address for the responsible person.

Employers and insurers are not required to report on health savings accounts or health reimbursement arrangements that supplement high-deductible health plans that qualify as MEC. The plan must submit the report to the IRS and provide a separate statement to each individual who has MEC.

B. Who Must Report
Entities that must report include health insurance companies, self-insured employer groups, self-insured group health plans, government-sponsored programs (e.g., TRICARE, Medicaid and CHIP), and other entities that provide minimum essential coverage, such as Medicare Advantage plans.

Employers with fully-insured plans are not subject to Section 6055 reporting because their insurer will file the report. This would be the case for fully-insured annual conference health plans and fully-insured local church plans.

The proposed rule makes some accommodations for a few unique plan types, such as union plans and governmental plans. But the proposed rule does not contemplate church plans. However, the proposed rule does state that “for a self-insured group health plan or arrangement for which a plan sponsor is not otherwise identified” in the proposed rule, e.g., as a multiemployer plan or governmental plan, the Section 6055 Reporting should be done by “the [entity] designated by plan terms as the plan sponsor or plan administrator or, if no person is designated as the administrator and a plan sponsor cannot be identified, each entity that maintains the plan or arrangement” (emphasis added). A reasonable interpretation of this provision would be that the General Board could do the Section 6055 reporting for all of HealthFlex as the plan administrator. Similarly, an annual conference board of pensions for a self-insured annual conference health plan outside of HealthFlex could do the same for its covered local churches. This would spare thousands of local churches from this reporting requirement.

C. How and When to Report
The first potential deadline for Section 6055 reporting would be February 28, 2016 for the 2015 tax year. Entities subject to Section 6055 reporting will submit a yet-to-be-designed Form 1095-B. The information return must be filed by February 28 of the year following the calendar year in which the MEC was provided. Any reporting entity may file electronically, and if it does so, it has until March 31. Statements must be provided to covered persons by January 31 of the year following the
MEC year (e.g., January 31, 2016 for 2015 coverage). Statements may be provided electronically to individuals if the individual consents. Only one statement need be provided per address. Statements sent to individuals may include a truncated TIN.

**Section 6056 Reporting**
The Section 6056 Reporting Rule is necessary to determine whether applicable large employers are complying with the ACA’s employer mandate requirement (Employer Shared Responsibility Rule). In July 2013, the IRS delayed its penalties under the Employer Shared Responsibility Rule until January 1, 2015 because the regulations for these two reporting rules were not yet published.

In preparation for compliance with the Employer Shared Responsibility Rule and penalties as of 2015, Section 6056 reporting will identify individuals who are ineligible for premium tax credits for exchange coverage because they have been offered MEC by their employer.

Section 6056 reporting applies only to applicable large employers (see “Who Must Report” below).

**A. What to Report**
An applicable large employer must report:

- Name, address and employer identification number (EIN) of the applicable large employer;
- Name and telephone number of a contact person;
- Calendar reporting year;
- Certification as to whether the applicable large employer offered its FTEs and their dependent children the opportunity to enroll in MEC by calendar month;
- Number of FTEs for each month in the calendar year;
- For each FTE: months for which MEC was made available;
- For each FTE: employee’s share of the lowest-cost monthly premium for self-only coverage providing minimum value, by calendar month; and
- Name, address and TIN for each FTE, and the months, if any, for which the FTE was covered under an employer-sponsored plan. (This information would be the same as data provided for Section 6055 reporting.)

**B. Who Must Report**
Section 6056 reporting requires applicable large employers, as defined in the Employer Shared Responsibility Rule (employers that employed an average of at least 50 full-time equivalent employees during the year), to file a return with the IRS and to send a statement to each FTE. FTEs work on average 30 hours per week or more, as defined under the Employer Shared Responsibility Rule.

Applicable large employers may contract with third parties for Section 6056 reporting, but remain liable for failure to report. Employers who fail to report are subject to the general Code penalty provisions.

**C. When and How to Report**
As with Forms W-2, Section 6056 reporting requires a separate return for each FTE (using a yet-to-be-designed Form 1095-C). These new forms would be submitted to the IRS accompanied by a single transmittal Form 1094-C.
Section 6056 reporting returns must be filed with the IRS by **February 28**; or **March 31** if filed electronically. All applicable large employers may file electronically, and those submitting 250 or more returns must file electronically. Applicable large employers may furnish statements to employees electronically if certain notice, consent, and hardware and software requirements are met.

Section 6056 reporting also requires applicable large employer to provide statements to each FTE. The IRS is considering whether this information could be provided on the FTE’s W-2. Employee statements must be provided by **January 31** of each year, which coincides with employers’ W-2 deadline.

Reporting is not required before early 2016 for the 2015 calendar year. However, the IRS is encouraging voluntary compliance for the 2014 year, with reporting in early 2015. Early compliers will help the IRS fine-tune the reporting process before 2016.

**Possible Simplified Reporting Options for Large Employers**

Self-insured large employer plans will be required to report under both Sections 6055 and 6056. Because much of the data requirements overlap, the IRS is considering allowing combined reporting under Sections 6055 and 6056. The IRS also is considering whether some of the reporting can be combined with the reporting of the cost of health coverage on employees’ W-2s under Code §6051 (which does not yet apply to employers in self-insured church plans or to employers issuing fewer than 250 W-2s). Further, the IRS is considering various combined reporting options, such as allowing Section 6056 reporting on the W-2 or on the employer Exchange Notice under the Fair Labor Standards Act.

The General Board will publish an update on its [health care reform web page](#) when further reporting guidance becomes available.

**More About ACA Requirements**

The General Board continues to monitor federal health care reform and provide applicable information for annual conferences, local churches and other UMC employers, as well as information for individuals. We encourage you to check the General Board’s [health care reform web page](#) frequently for updates.

**Questions and Information**

If you have questions or would like additional information, please send your inquiries to [healthcarereform@gbophb.org](mailto:healthcarereform@gbophb.org). General information about health care reform is available from the federal government at [www.healthcare.gov](http://www.healthcare.gov).

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