



SecureOne Benefit Administrators, Inc. ACA Compliance News

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Compliance News

COBRA AND 1095-C REPORTING

BACKGROUND ON FORMS 1094-C AND 1095-C

Employers with 50 or more full-time employees (including full-time equivalent employees) in the previous year use Forms 1094-C and 1095-C to report the information about offers of health coverage and enrollment in health coverage for their employees and non-employees. These Forms are used in determining whether an employer owes a payment under the Employer Shared Responsibility Provisions, as well as in determining the eligibility of employees for the premium tax credit.

REPORTING OF COBRA DEPENDS ON THE COBRA TRIGGERING EVENT

COBRA must be offered for a variety of reasons, including a reduction in hours that results in the employee no longer being eligible for coverage. The final instructions set forth different rules for reporting COBRA offers and coverage depending on the type of COBRA event.

Termination of Coverage - For a terminated employee, code 1H (No offer of coverage) should be entered on line 14 (Part II) for any month for which the offer of COBRA continuation coverage applies, according to the instructions. An offer of COBRA continuation coverage that is made to a former employee upon termination of employment should not be reported as an offer of coverage on line 14. Note: This is logical because terminated employees are not taken into account when calculating compliance with the employer shared responsibility rules.

Reduction in Hours - An offer of COBRA that is made to an active employee is reported in the same manner and using the same code as an offer of that type of coverage to any other active employee. According to the instructions, an employer that offers health coverage through an employer-sponsored self-insured health plan must complete Parts I, II and III, for any employee who enrolls in the health coverage, whether or not the employee is a full-time employee for any month of the calendar year.

Example 1—Person terminates employment and elects COBRA coverage.

Calendar Year 1—Person A terminates employment mid-year and takes COBRA. Code 1H (No offer of coverage) is entered on Line 14, Part II for any month for which the offer of COBRA coverage applies. Part III is completed also for covered individuals.

Calendar Year 2—Person A is not an employee of this employer during the calendar year but continues on the COBRA coverage. If this is a self-insured plan, you would file Form 1095-C; if it's an insured plan, you would not file Form 1095-C (since the individual was not a full-time employee for any month of the year). If this is a self-insured plan and Form 1095-C is being filed, you would use code 1G in this case since the individual was not an employee at any time during the year. Part III would report the coverage of the individual and any spouse/dependents who are also enrolled (as coverage is reported for any covered individual).

Page 12 of the Instructions for Forms 1094-C and 1095-C under Coverage of Non-Employee says: “This part may be completed by an employer.....” Why do the instructions say “may”? This is because the employer sponsoring a self-insured plan may use the Form 1095-B in this case or the Form 1095-C for coverage of a former employee.

Example 2—Person reduces hours and elects COBRA coverage.

Calendar Year 2—Same. Form 1095-C would be filed as for any other active employee, taking into account that the amount reporting on line 15 would reflect the applicable COBRA premium rather than the premium for non-COBRA participants.

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