Client Administration Manual

ACA Employer Reporting

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This Administration Manual provides guidance to properly manage ACA Employer Reporting service. Besides detailing the requirements necessary to keep you compliant with the Employer Shared Responsiblity Mandate, this document will familiarize you with all the tools we offer to help you do so. In the meantime, if you have any questions pertaining to ACA Employer Reporting, call us toll-free at 1-800-422-4661. While not required, the 12-digit MyTASC ID provided in this welcome kit will help get you to the right contact quickly.

Welcome

Welcome to (or welcome back to) TASC's ACA Employer Reporting service. This comprehensive program works with you help ensure your peace of mind when addressing the complexities of the Affordable Care Act (ACA) Employer Shared Responsibility Mandate.

If this is your first year with TASC ACA Employer Reporting, a TASC On-Board Specialist will call to help you start on the right foot. *Meanwhile, it is vital that you review this Manual prior to that call.* The contents will help you make pertinent ACA determinations so you can move forward with the tracking and reporting requirements.

Many determinations mandated by the ACA are detailed and specific to your Plan. Your On-Board Specialist cannot advise you regarding these required determinations. After you review this Manual, and prior to the On-Board call, we recommend that you pose appropriate questions to your benefits advisor, benefits counsel, or broker.

Commonly Used Acronyms

- ACA – Affordable Care Act.
- ALE – Applicable Large Employer – See "Are you an Applicable Large Employer (ALE)?"
- FTE – Full-time employee – See Addendum A, "ALE Worksheet."
- MEC – Minimum Essential Coverage – See "Does your Plan offer Minimum Essential Coverage?"
- MV – Minimum Value – See "Does your Plan offer Minimum Value?"

Visit our TASC news site at www.tasctracker.com and subscribe to receive news updates via email. Must-know information regarding TASC products is posted regularly.

Welcome to TASC ACA Employer Reporting!

Introduction

Penalties for Non-Compliance

Two 4980H Penalties

Under ACA, substantial penalties can result when an employer fails to offer health coverage to full-time employees (FTE). Two penalties apply. Commonly called the 4980H(a) Penalty and the 4980H(b) Penalty. When addressing both Penalties, they are simply referred to as the 4980H Penalties.

The 4980H(a) Penalty applies if you fail to offer ACA-compliant coverage (called Minimum Essential Coverage, or MEC) to at least 95% of your FTEs and their dependents. Possible annual 4980H(a) Penalty of $2,160 may be imposed for each FTE beyond the first 30 employees, but only if one or more FTE obtains federally-subsidized coverage through an ACA Exchange.

The 4980H(b) Penalty applies (i) if you offer ACA-compliant coverage to at least 95% of your FTEs and their dependents, thereby satisfying the test for the 4980H(a) Penalty stated above, but (ii) your Plan fails to provide Minimum Value (MV) or is not affordable, and (iii) at least one FTE obtains federally-subsidized coverage through an ACA Exchange. The 4980H(b) Penalty is $3,240 per subsidized FTE.

In no case will the liability under Section 4980H(b) exceed the maximum potential liability under Section 4980H(a).

The 4980H Penalties are determined per month. Lesser prorated amounts pertain if a Penalty applies for a portion of a year only. The 4980H Penalties are not tax deductible.

You will be liable for a 4980H Penalty only if one or more full-time employee is certified by the ACA Exchange as having received a premium tax credit or cost-sharing reduction.

There can be substantial penalties under the ACA when an employer fails to offer health coverage to full time employees.

Information for Filing Penalties

For failure to file a required information return, the general penalty is $250 per return, with an annual cap on total penalties of $3,000,000. If the failure relates to an IRS filing and an Employee Statement, as in the case with ACA Reporting, the penalties are doubled. If a failure is caused by intentional disregard, the penalty is doubled again to $500 for each failure, with no calendar year cap.

TASC Audit Guarantee

TASC stands behind this Program with an Audit Guarantee for Plan Sponsors who (a) work through the steps in this Manual, (b) provide accurate data to TASC in a timely manner, and (c) make any enrollment changes noted on the Variable Hour Tracking reports. The TASC Audit Guarantee can provide indemnification for the ACA employer responsibility penalties as well as IRS penalties for the failure to file correct informational filings.

This Manual provides details on the scope of TASC's services and outlines responsibilities of each party. In this partnership with TASC you are expected to use the tools made available.

Introduction

TASC is not responsible for any penalties due to activities that occurred, or the failure to act, prior to the start of your ACA Employer Reporting Service Agreement with TASC. TASC is not responsible for any penalties due to errant determinations made by the Plan Sponsor on the Group Business Plan Application or other information the Plan Sponsor submits to TASC.

TASC can provide audit assistance. TASC will defend its product, service, and general application as necessary. Not covered by the TASC Audit Guarantee are any 4980H penalties or IRS informational return filing penalties caused by your failure to submit accurate data in a timely manner.

Scope of TASC Services

This Product is written for single employers (including controlled groups) who sponsor a group health plan. It is neither designed nor intended for complex plans such as Multiple Employer Welfare Plans, Voluntary Employee Benefits Associations.

TASC is not a law firm. We do not provide legal or tax advice. All written or verbal communications provided are general in nature and not intended to constitute legal or tax advice.

ACA Employer Reporting may have legal and tax consequences. Any questions regarding Plan Sponsor's particular needs, requirements, circumstances, or the tax consequences of ACA Employer Reporting must be directed to the Plan Sponsor's own advisor(s) at the Plan Sponsor's expense.

This Manual outlines each step and provides the information you need to ensure that your Plan meets the ACA Employer Shared Responsibility Mandate. Follow each step outlined herein to avoid a 4980H Penalty.

Determining your Status Under the ACA

Each year all who use TASC ACA Employer Reporting should carefully review the questions presented in this part of the Manual. Your thoughtful and accurate answers may be critical to avoiding a 4980H Penalty.

TASC provides the right tools to help you answer these important questions and document your reporting status. It is essential that care is taken to complete this Step accurately. TASC's Audit Guarantee applies only when answers are accurate and thorough. We recommend that you review your results with your benefits advisor, benefits counsel, or broker.

Completing the Group Business Plan Application

Use the following information to help you make (or double-check) the determinations needed for the Group Business Plan Application. The detail below is listed in the same order as in the Group Business Plan Application. This Section refers you to the parts of this Manual that provide the detail you need to make these determinations.

1) **ALE Status**
   See content in "Are you an Applicable Large Employer (ALE)?" and Appendix A, the ALE Worksheet. Contents provide detail and a tool for making this determination.

   The terms "insured medical plan" and "self-insured medical plan" are defined as follows:

   a) **Insured Medical Plan** - Your basic group health plan benefits are covered under a group insurance contract or HMO contract with a state licensed insurer or HMO. The insurer or HMO holds the risk for paying claims.

   b) **Self-Insured Medical Plan** - Your basic group health plan benefits are funded by your general assets or by a trust which is self-administered or administered by a third-party administrator. Self-insured health plans are commonly referred to as "self-funded" health plans. The employer holds the risk for paying claims.

      Note: For cases in which the Plan has some benefits that are insured and others that are self-funded, refer to the portion of the Plan that provides the basic benefits. For example, many employers insure the hospitalization and outpatient services and carve out prescription drug coverage for a self-funded arrangement. That Plan would be insured, and the basic benefits package is insured.

2) **TASC Variable Hour Tracking Service Offering**
   Check this box if you are including the TASC Variable Hour Tracking service offering, detailed in this Manual. It requires that you send TASC additional data files for tracking variable hour employees, part-time employees, seasonal employees, and FTEs who are not meeting the minimum hourly requirement in any measurement period. These types of employees are defined in the Variable Hour Tracking Section below.

3) **Minimum Essential Coverage Offer Indicator:**
   See Section "Does your Plan offer Minimum Essential Coverage?" for details.

   NOTE: The next two items are technical in nature. By checking any of the two boxes on the Group Business Plan Application you are certifying compliance with defined ACA terms. If advice is required, we recommend you consult with your benefits advisor, benefits counsel, or broker.

4) **Qualifying Offer Method**
By checking "Qualifying Offer Method," you certify that you made a "Qualifying Offer" to one or more of your FTEs for all months during the calendar year in which the employee was a FTE.

A "Qualifying Offer" means (a) you offered MEC with MV to at least one FTE; (b) in regards to "Affordability" for the lowest cost self-only coverage, your Plan's employee contribution is equal to or less than 9.66% of the mainland single federal poverty line, and (c) you offered at least MEC to the FTE's spouse and dependent(s). (See "Is your Plan Affordable?" content below regarding the Federal Poverty Line Safe Harbor.)

For more detail regarding these items:
MEC – see "Does your Plan offer Minimum Essential Coverage?"
MV – see "Does your Plan offer Minimum Value?"
"Affordability" – see "Is your Plan Affordable?"

5) **98% Offer Method**
By checking the 98% Offer Method, you certify that you offered, for all months of the calendar year, affordable health coverage providing MV to at least 98% of your FTEs, and offered MEC to those employees' dependents. For this purpose, the health coverage is affordable if the employer meets one of the Section 4980H Affordability Safe Harbors, see "Is Your Plan Affordable?" content below.

Are you an Applicable Large Employer (ALE)?

Determine the size of your workforce, using the ACA rules for counting employees. This calculation will dictate when your reporting requirement begins.

The general rule: to be subject to the ACA Employer Shared Responsibility provisions for a calendar year, an employer must have employed during the previous calendar year at least 50 FTEs or a combination of full-time and part-time employees that equals at least 50.

Appendix A provides an easy to use Worksheet to determine your status. If you are on the cusp you will want to update this Worksheet for each calendar year so that you can monitor your status and reporting requirements. Remember, if you decide you are an ALE and follow the TASC program, you will not pay any 4980H Penalty. If you decide you are not an ALE, and you are incorrect, that could result in 4980H Penalties that would not be covered by the TASC Audit Guarantee.

TASC provides the tools that will help you answer these important questions and document your reporting status.

Minimum Essential Coverage

Does Your Plan Offer Minimum Essential Coverage (MEC)?
Minimum Essential Coverage (MEC) is defined as accident and health coverage offered under an employer-sponsored group health plan. MEC does not include the following: excepted benefits (most health FSA plans are excepted), fixed indemnity coverage, life insurance, or dental or vision coverage.

Compliance Note: The ACA includes benefits and administrative mandates for all insured and self-funded health plans, referred to as either the Public Health Service Act Mandates (PHSA Mandates) or ACA Market Reforms. The PHSA Mandates include items such as but not limited to providing "essential health benefits" (a list of basic benefits described under the ACA), dependent coverage to age 26, prohibitions on life time maximums and preexisting condition limitations, and coverage for preventive benefits. Your Plan's compliance with the PHSA Mandates is not a part of this product. Your insurance carrier or third-party administrator will be able to certify that your Plan meets these requirements. The penalty for failing to satisfy the PHSA Mandates is a $100/day excise tax per applicable employee (which is $36,500 per year, per employee) under Section 4980D of the Internal Revenue Code, and not covered by the TASC Audit Guarantee.

Minimum Essential Coverage (MEC) is defined as accident and health coverage offered under an employer-sponsored group health plan.

Minimum Value

Does Your Plan Offer Minimum Value (MV)?

Note: Your insurance carrier or your self-funded plan third-party administrator may have completed the Minimum Value (MV) calculations for your Group Health Plan.

An employer-sponsored plan is considered to provide MV if it covers at least 60% of the total allowed cost of benefits that are expected to be incurred under the Group Health Plan. The benefits must include substantial coverage of inpatient hospital services and physician services. There are three different routes you can take to determine MV.

1) Use the online MV Calculator to enter information about your Plan's benefits, coverage, and cost-sharing components to determine whether the Plan provides MV.

   Access the MV Calculator by visiting:
   https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/mv-calculator-final-4-11-2013.xlsm

   The MV Calculator requires you to enter your Plan options, such as whether your Plan has separate cost sharing limits for prescription drugs. As you progress and select these parameters the applicable part of the form will appear unshaded. Do not complete the shaded areas. It takes a few minutes to review the form, become familiar with its structure, and complete.

2) Obtain an actuarial certification. This is typically used when your Plan is self-funded and/or has unique features. The certification must be signed by a member of the American Academy of Actuaries.

3) Use the Design-Based Safe Harbor Checklists. The IRS provides multiple safe harbor checklists that you can compare against your Plan. If your Plan is at least as generous as the safe harbor checklists, then the Plan is considered to have MV. This approach allows you to determine MV without using the MV calculator or actuarial certification option. Appendix B contains the current Safe Harbor Checklist(s) and instructions.

A plan does not provide MV if it excludes substantial coverage for in-patient hospitalization services or physician services (or both). This includes plans referred to as "skinny plans" that fail to meet the essential benefits definition in the ACA, and includes tax advantaged account plans such as HRAs or health FSAs, whether considered an excepted benefit or not.

Plan Affordability

Is Your Plan Affordable?

For 2016, if your lowest cost employee-only option is 9.66% or less of your FTE's household income then the coverage is deemed affordable. Because you don't know your employee's total household income, you should use information that is available to you to determine whether you offered affordable coverage under a safe harbor. These safe harbors are available only if your Plan satisfies the MEC and MV tests above.

The preferred method is also the easiest: the Rate of Pay Safe Harbor. This safe harbor provides the sole method for satisfying affordability without analyzing each employee's wages and hours. In addition, you need not wait for an employee's W-2 Form after the end of the calendar year to make the determination.

Under the Rate of Pay Safe Harbor, the employer assumes a rate of 130 hours per month and multiplies 130 by an hourly employee's rate of pay, regardless of whether an employee worked more or less than 130 hours during any calendar month.

For example, if the lowest paid hourly FTE earns $10 per hour on the first day of the plan year then the employer may require an employee contribution of $125.58 for the lowest cost employee-only option. This is 9.66% X ($10 multiplied by 130 hours). The chart below provides some insight into this relationship.

Lowest Hourly Rate of Pay	Lowest Monthly Cost of Employee-Only Coverage
$10.00	$125.58
$12.00	$150.70
$14.00	$175.81
$16.00	$200.93
$18.00	$226.04
$20.00	$251.16
$22.00	$276.28
$24.00	$301.39
$26.00	$326.51
$28.00	$351.62
$30.00	$376.74

> **Hint:** When determining the rate of pay for the contribution calculation, employers may use the rate of pay required by the local minimum wage law in effect or the federal poverty line.

An offer of coverage to salaried employees uses the salaried employee's monthly salary (instead of 130 multiplied by the hourly rate of pay). An ALE may consistently use any reasonable method for converting payroll periods to monthly salary.

Note: The Rate of Pay Safe Harbor cannot be used for tipped employees or for employees who are compensated solely on the basis of commissions. Instead, employers use the two other affordability safe harbors—Form W-2 wages and federal poverty line—to determine affordability for employees whose compensation is not based on a rate of pay.

The W-2 Safe Harbor allows the employer to use the W-2 wages reported in lieu of attempting to collect the total household income for a family. The W-2 wages (as reported in box 1) are divided by 12 to calculate the allowed employee contribution. You must wait until the Form W-2 is available after calendar year end to make the determination of affordability, creating a risk for the outcome. If the Rate of Pay Safe Harbor is not available, using the Federal Poverty Line Safe Harbor is recommended.

Plan Affordability

The **Federal Poverty Line Safe Harbor** allows the employer to use the federal poverty amount for a single individual for the applicable calendar year, divided by 12. For example, for 2016 the annual single person federal poverty level is $11,880, or $990.00 per month ($11,880/12), and the lowest cost self-only coverage is $95.63 per month. (9.66% of $11,880/12).

The Employee Contribution. The Employee Contribution for the your lowest cost employee-only option can be | affected by the following items.

1. The amount of a Cafeteria Plan Employer contributions, sometimes called Flex Credits, is allowed to lower the Employee Contribution total for ACA affordability only if the amount constitutes a "health flex contribution." Further, a health flex contribution can be applied only to the premium for the employer-sponsored group health plan or medical expenses under the health FSA. A health flex contribution cannot be cashed out at the time of enrollment (arrangements where the employee can either use the FLEX Credits for benefits or they will be added to the Employee's taxable income are not allowed for health flex contributions).

    a. **Transition Rule for 2016**. Prior to January 1, 2017, the 125 Employer contributions can be used to reduce the Employee Contribution even when the plan allows a cash out at the time of enrollment or the ability to use for other qualified benefits, as long as plan adopted before December 16, 2015 or flex credits already communicated for 2016 as of December 16, 2015.

2. HRA Funding newly made available can lower the Employee Contribution for ACA affordability only if one of the benefits under the HRA is coverage for employer-sponsored group health plan coverage.

3. McNamara-O'Hara Service Contract Act ("SCA"), the Davis-Bacon Act, "DBRA") contributions will reduce Employee Contribution for affordability for plan years up until January 1, 2017 or until additional guidance from the IRS is provided. See your Benefit Advisor for details.

4. Post tax employer contributions can increase the Employee Contribution by adding the loss of these funds towards the Employee Contribution as an additional cost.

Dependent Coverage

Does Your Plan Offer Coverage to Your FTEs' Dependents?

Under the ACA you must offer coverage to your FTE's dependents, defined as the FTE's natural or adopted son or daughter who has not attained age 26. The definition excludes a stepson, stepdaughter, eligible foster child, and an individual who is not a United States citizen or national, unless such individual is a resident of the U.S. or a country contiguous to the U.S. A child attains age 26 on his/her 26th birthday, and is deemed a dependent for purposes of Section 4980H for the entire calendar month in which he or she attains age 26. Absent knowledge to the contrary, an ALE may rely on an employee's representation about his/her children and their ages.

The term dependent does not include the spouse of an employee.

New ALEs

Are you a New ALE?

A new employer can determine ALE status during its first Plan Year based on the employer's reasonable expectations at the time the business comes into existence. This expectation should be documented based on commercially acceptable standards for the business, such as including a factor to service a projected sales quota for the year. If subsequent events cause the actual number to exceed that reasonable expectation, the employer is not considered an ALE for the initial calendar year.

An employer not in existence on any one business day in the prior calendar year is deemed an ALE for the current calendar year if (a) the employer is reasonably expected to employ an average of at least 50 FTEs (taking into account equivalent FTEs) on business days during the current calendar year and (b) the employer employs an average of at least 50 FTEs (taking into account equivalent FTEs) on business days during the calendar year. (See Appendix A for equivalent FTE definition and ACA FTE counting rules.)

Transition Relief for new ALEs, 4980H(a) Penalty Relief. If a new ALE offers MEC that meets MV and is affordable on or before April 1 of the first calendar year for which the employer is an ALE, the employer will not be subject to 4980H Penalties for any employee not previously offered coverage.

Employers who do not offer coverage to FTEs by April 1 may be subject to a Section 4980H(a) Penalty for months January through March, in addition to any later calendar month in which coverage was not offered. If by April 1 the employer offers employees coverage that does not provide MV or is not affordable, the employer may be subject to a 4980H(b) Penalty per affected employee for months January through March of the first calendar year, in addition to any later calendar month in which coverage does not provide MV or is not affordable.

This rule applies solely during the first year that an employer is an ALE, and does not apply if, for example, the employer falls below the 50 FTE (plus equivalent FTEs) threshold for a subsequent calendar year and then increases employment and becomes an ALE again.

Determination Periods

Establish Your Determination Periods

There are two methods for determining FTE status: the Monthly Measurement Method and the Look-Back Measurement Method.

The Monthly Measurement Method will result in disruptions in coverage when an employee does not meet the required number of hours in any month. This can be an issue even for employers with a stable FTE workforce. For instance, a short unapproved leave of absence could result in a termination of coverage for the following month. Then, when the same employee meets the hourly requirement, which could be during the month of non-coverage, the employee's coverage must be reinstated.

The Look-Back Measurement Method is rather cumbersome but provides stability for your FTEs and ongoing employees. Under this method, employees who average enough hours over a set period of time, called a measurement period, will know that they will be offered coverage during a stability period.

TASC Default Settings. If you have not determined your measurement methods with your benefits advisor, benefits counsel, or broker, and you select the Variable Hour service offering in which TASC tracks your employee hours, then TASC will default your Plan option into the Look Back Measurement Period. The default initial measurement periods are 12 months initial measurement period, 30 day initial administrative period, and 12 month initial stability period. The default standard measurement periods are 12 months standard measurement period, a 60 day standard administrative period, and a 12 month standard stability period. The 12 month standard stability period is your Plan Year. The 60 day standard administrative period ends on the first day of your Plan Year. This allows you 60 days to offer coverage as needed at open enrollment. The 12 month standard measurement period ends on the day before the 60 day administrative period starts.

Notices from the Exchange (Section 1411 Certification)

Marketplace Exchange Subsidy Notice

- **What is a Marketplace Exchange Subsidy Notice?**
  The Federal Marketplace–as well as some state-based marketplaces–have issued notices to employers who had one or more employees qualify for subsidized health coverage. The Marketplace Exchange Subsidy Notices disclose that the employee was not offered affordable minimum essential coverage (MEC), and therefore found eligible for a premium subsidy.

- **Who does this include?**
  Applicable Large Employers (employed 50 or more full-time and full-time equivalent employees in the prior calendar year) are now subject to Employer Shared Responsibility provisions and liable to pay a penalty if affordable health plan coverage is not offered to all full-time employees.

- **What do I do if I receive a notice?**
  You have 90 days from the date of issue to appeal if you determine the employee's eligibility for a premium subsidy was made in error because you offered qualifying health coverage which met MEC, minimum value requirements, and was affordable.

  Note: Receiving a notice does not mean that you owe a penalty payment. Penalties will be assessed by the IRS once they consider all submitted tax form information.

  If you determine the notice does not accurately reflect the situation (i.e. the employee is part-time and does not qualify for health coverage) you would not need to submit an appeal. However, the only method to dispute the information in the notice is to file an appeal.

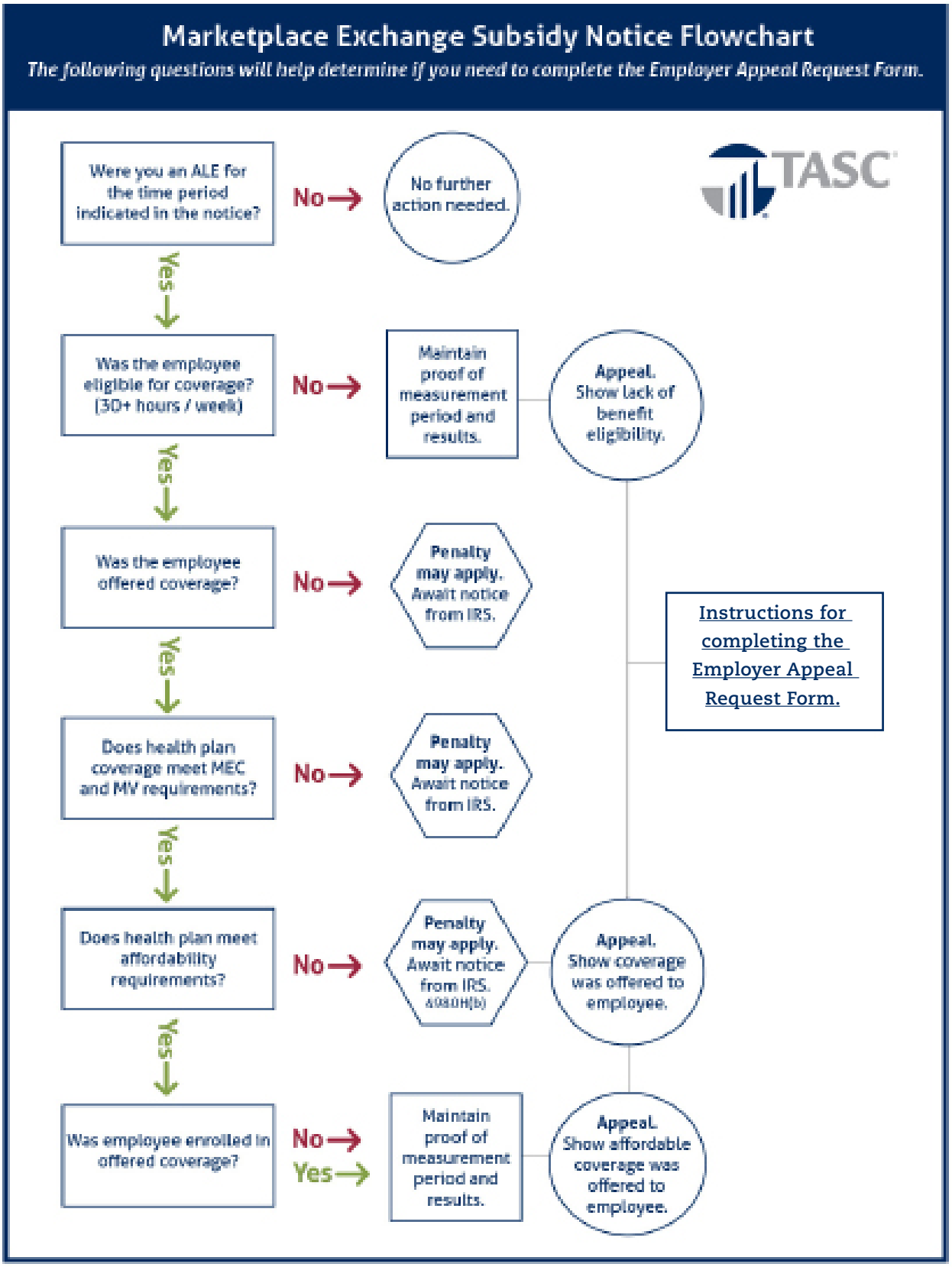
- **How do I file an appeal?**
  Appeals can be filed by completing an Employer Appeal Request Form. It is recommended you also include supporting documentation as to why the employee should not have received the premium subsidy.

Please refer to the flowchart on the following page to help determine if you do need to appeal a Marketplace Exchange Subsidy Notice.

Additional Information from the IRS

The IRS has helpful Questions and Answers, as well as other publications, at: www.irs.gov/Affordable-Care-Act

Notices from the Exchange



IRS Reporting

Introduction

The ACA has two reporting requirements related to the Employer Shared Responsibility Rules, commonly referred to as 6055 Reporting and 6056 Reporting, and both referring to actual code sections of the ACA.

6055 Reporting: Section 6055 imposes reporting requirements on anyone who provides another person MEC. It requires reports to your employees to document their coverage, or lack of coverage, so that they can complete their individual tax returns. . Similar to Form W-2 reporting, this is often referred to as the "Individual Mandate."

6056 Reporting: Section 6056 requires an ALE to report to the IRS . The IRS then determines whether the employer owes a 4980H Penalty and verifies employee coverage status. This is often referred to as the "Employer Mandate."

Do you Need to Report?

All employer-sponsored group health plan coverage (insured and self-funded) must be reported annually to the IRS, and must be reported annually to each FTE for any month of a calendar year. These general rules apply regardless of the employer's size.

The filing requirements, what forms are used, and who completes the forms, depends on whether you are an ALE or a small employer. (See Appendix A, the ALE Worksheet to make that determination.) In addition, reporting requirements for employers with insured plans differ from those imposed on employers with "self-insured" plans. (In insured plans, basic group health plan benefits are covered under a group insurance contract or HMO contract with a state licensed insurer or HMO. In self-insured plans, benefits are paid from the employer's general assets or a trust and self-administered or administered by a third-party administrator (also commonly referred to as "self-funded")

A new employer with no FTEs in any month of the prior calendar year (no employee averaged at least 30 hours of service per week in any month) is not required to report. For example, an employer without at least one FTE in any month in 2016 is not required to report in 2017 for calendar year 2016.

Multiple Coverage Rule: If an employee is covered by more than one type of MEC provided by the same employer, the employer is required to report only one of the types of coverage.

Example: an employee is covered by a self-insured or insured major medical plan and a health reimbursement arrangement (HRA) provided by the same employer, the employer is required to report the coverage of the individual under one of the arrangements only.

NOTE: If an individual is covered by an HRA sponsored by one employer and a non-HRA group health plan sponsored by another employer (such as spousal coverage), each employer must report the coverage the employer provides.

IRS Reporting

What Forms Must You File?

On your behalf, TASC files the necessary forms with the IRS, or provides you with the completed forms to file by mail. TASC also provides you with forms for your employees, see "Filing the Returns" content below. TASC will have the items necessary to complete these filings and forms only if you first provide accurate plan demographics on the Group Business Plan Application and the Monthly Data File, both described in the chart, in "Reporting Data to TASC" content. Finally, a basic summary of the forms employers must file is provided in the chart as well.

	Insured Health Plan ALE files Form(s)	Self-Funded Health Plan ALE files Form(s)
ALE –50 or more FTEs including including equivalent FTEs	1094-C All parts 1095-C Parts I and II (not Part III) (NOTE: Insurer files Form 1095-B)	1094-C All parts Form 1095-C All Parts

When Must You File?

Forms must be filed with the IRS as follows: on or before February 28 for paper forms, or on or before March 31 if filed electronically of the year following the calendar year of coverage. Employee forms must be sent to the covered employees no later than January 31st.

What Information Does TASC Require?

On the Group Business Plan Application you provided the basic plan information required for the IRS filing. If you were unable to complete this application (left items blank), please refer to "Completing the Group Plan Application" content above, or discuss the items with the TASC On-Board Specialist who will schedule time to discuss this service with you. TASC must receive this basic plan information prior to December 15th in order to meet federal filing deadlines. TASC is not responsible for any late filing penalties if we receive this basic plan information late (after December 14th).

Reporting Monthly Data to TASC

Data must be submitted to TASC by the 5th day of the following month. The final file for the calendar year must be submitted by December 15th so TASC can meet federal filing deadlines.

New clients can schedule a call with the TASC Electronic Data Interchange (EDI) Specialist who will help you set up your transmittals.

The IRS Reporting Data Specifications and the IRS Reporting Data Summary are enclosed with this Manual. These two items provide a complete description of the monthly data needed for each FTE, including definitions of items unique to the ACA. The IRS Reporting Data Summary details how this data is to be submitted to TASC.

IRS Reporting

Filing the Returns

The IRS Filing(s): TASC completes necessary IRS forms using the Plan information you provided on the Group Business Plan Application and your Monthly Data Files. TASC will electronically submit the required filings to the IRS. If all information is provided to TASC by December 15th, then TASC will meet the IRS filing deadline(s).

If you are required to report to 250 or more employees, you must file to the IRS electronically. TASC is a registered "Transmitter" and as such may transmit the data directly to the IRS on your behalf. You will be emailed a copy of the filing for your records.

If you are required to report to fewer than 250 employees, you may file to the IRS electronically or by mail. If you elect to file by mail be sure to request this option during your Welcome Call with TASC. TASC will complete the forms, made available via an emailed link to be sent by January 15 to the Primary Client Contact named on the Group Business Plan Application.

Employee Statements: TASC will send you the completed forms required for your employee reporting no later than January 15th. These Employee Statements must be furnished on paper by mail, unless the employee provides "Affirmative Consent" to receive the statement in an electronic format.

TASC provides all Employee Statements via secure email. (TASC assumes that if you provide us an email on your monthly data spreadsheet for any employee, that employee has in fact affirmatively consented to receive his/her statement via email.) Clients and Participants are sent email notification and are required to login to a secure location to view documents. You will be required to enter an access code, which is your 12-digit TASC ID with dashes.

The TASC email will include a copy of your Employee Statements. If you have not submitted any employee's email address or failed to receive his/her Affirmative Consent then you must mail the notice to said employee. See below for details and a suggested Affirmative Consent template.

TASC will notify you if a TASC email to any employee is returned as undeliverable. If you cannot obtain the correct email address from your records or from the recipient, you must send the employee his/her Employee Statement, which **must be postmarked or hand delivered in person within 30 days after the email was returned**.

The following rules are provided to assist you in deciding on the best delivery method for your employees:

> **Sending employee statements by mail:** If the Employee Statement is mailed, it shall be sent via first class mail to the employee's last known permanent address, or if no permanent address is known, to his/her last known temporary address. TASC will email you all Employee Statements and you shall mail these to your covered employees. You must retain records showing an example of the mailing, to include a copy of the envelope with appropriately dated postmark, and a copy of the Statement. For another acceptable method, retain a copy of all Employee Statements with a note signed by the person who mailed the forms that details the date they were mailed.

Providing the Statement on your website: If the Employee Statement is furnished on your website, you must notify the employee by mail, electronic mail, or in person. The notice must provide instructions for accessing and printing the Statement, and must include the following statement in capital letters: ``IMPORTANT TAX RETURN DOCUMENT AVAILABLE.'' You are required to retain a copy of the Statement on your website through October 15th of the year following the calendar year to which the statement relates (or the first business day after October 15th, if October 15th falls on a Saturday, Sunday, or legal holiday). You must maintain access to corrected Statements that are posted on the website through October 15th of the year following the calendar year to which the statements relate (or the first business day after such October 15th, if October 15th falls on a Saturday, Sunday, or legal holiday) or 90 days after the corrected forms are posted, whichever is later.

Affirmative Consent to receive the Statement by email or online. The best way to receive Affirmative Consent is by email. (If you receive Affirmative Consent on paper you must still confirm the Affirmative Consent by email.) The following Affirmative Consent text can be used for this purpose.

- By responding YES to this email, I affirmatively consent to receive the ACA Coverage Reporting Statement (an IMPORTANT TAX RETURN DOCUMENT) from my employer, in an electronic format, by email or on my employer's website.

- By responding NO to this email or failing to respond, I do not consent to receive the ACA Coverage Reporting Statement (an IMPORTANT TAX RETURN DOCUMENT) from my employer, in an electronic format, by email or on my employer's website.

- I understand I may withdraw this consent by written notice to my employer, to take effect no later than 60 days after my notice was received by my Employer.

- I understand a request for a paper statement will be treated as a withdrawal of my consent.

Form Corrections

Once your Form 1094-C and Forms 1095-C forms are sent, you can request a correction or corrections as needed. To do so, submit a Request for Correction Form as soon as possible. Access a copy of the Request Form and instructions via this link: https://www.tasconline.com/uploads/KB/ACA/TC-5554-012916%20ACA%20Request%20for%20Correction.pdf.

Changes are billable at $35 per corrected Form.

Variable Hour (and Part-time Employee) Tracking

Variable Hour Tracking

If you use the Monthly Measurement Period to track FTEs then you need not use the TASC Variable Hour Tracking service offering.

TASC's Variable Hour Tracking service offering clarifies the following for you:

- When you must offer coverage to a Variable Hour Employee (to avoid 4980H Penalties);
- When you must offer coverage to a Part-Time Employee (to avoid 4980H Penalties);
- When you must offer coverage to a Seasonal Employee (to avoid 4980H Penalties); and,
- When a FTE fails to meet the hours required to remain covered under your Plan.

The Variable Hour Tracking service helps you avoid 4980H Penalties, because you review TASC's Monthly Variable Hour Reports. And you should add all employees as applicable for coverage on your Monthly Data Files.

Complete and Transmit to TASC the Variable Hour Benefit Class Table

Even if you have one Benefit Class only you must complete and return to TASC the Benefit Class Table. Page two of this document must be returned via fax or email, with the subject line ACA Variable Benefits Class Summary. Fax number: 608-245-3623, email: tasconboarding@tasconline.com.

All Plan Sponsors have at least one Benefit Class. Different Benefit Classes are needed only if you use different measurement and/or stability periods for the different Benefit Classes. For instance, if you use the same measurement and stability periods for all employees, regardless of whether they are in the same state, union or non-union, salary or hourly, then you have one Benefit Class only. Benefit Class does not relate to whether you offer different plans, such as a PPO in one state and an HMO in another.

The ACA regulations limit "Benefit Class" to four groups, as identified below. You may use measurement periods and stability periods that differ either in length or in their starting and ending dates for the following only:

- Collectively bargained employees and non-collectively bargained employees,
- Each group of collectively bargained employees covered by a separate collective bargaining agreement,
- Salaried employees and hourly employees, and
- Employees whose primary places of employment are in different States.

The detail and definition for the fields requested, such as Insured or Self-Insured is provided below. We advise that you save the completed Benefit Class Chart as a tool to organize data sets for your reporting.

NOTE: If you have not determined your Measurement, Stability and Administrative periods then TASC will default you into the 12-2-12 method. This is one of the more common selections that provides stability and ease of administration. It means your Measurement Periods will be 12 months, your Administrative Period will be 2 months and your Stability Period will be 12 months. The Standard Stability period will begin on the first day of your Plan Year. The initial measurement period for a new hire will default to 12-1-12.

Variable Hour (and Part-time Employee) Tracking

Variable Hour Benefit Class Table

Provide below information for EACH benefit class. Add additional fields as needed.	Benefit Class 1	Benefit Class 2	Benefit Class 3	Benefit Class 4
Benefit Class Code (Ben Class)	BC1	BC2	BC3	BC4
Plan Year (DATES) Example 2/1/16-1/31/17				
Payroll Cycle DY, WK, BW, SM, MN, QT				
Self–Funded OR Insured				
Initial look back measurement period details enter number of months for each period.				
Initial Measurement Period: Number of Months				
Initial Administration Period: Number of Months				
Initial Stability Period: Number of Months				
Standard look back measurement period details enter number of months for each period and the first calendar day for each period.				
Standard Measurement Period: Number of Months				
First calendar day of the Period: Date – 2/1/2016				
Standard Administration Period: Number of Months				
First calendar day of the Period: DATE – 2/1/2016				
Standard Stability Period: Number of Months				
First calendar day of the Period: DATE – 2/1/2016				

Variable Hour (and Part-time Employee) Tracking

Classify Your Employees Under the ACA Definitions

Full-Time Employee (FTE) status is based on the facts and circumstances at the employee's start date, or at any time the employee's status changes, such as a promotion to a full-time position. Factors to consider include, but are not limited to, (a) whether the employee is replacing an employee who was (or was not) an FTE, (b) the extent to which hours of service of ongoing employees in the same or comparable positions have varied above and below an average of 30 hours of service per week during recent measurement periods (130 hours per month), and (c) how the job was advertised or otherwise communicated (for example, through a contract or job description). No single factor is determinative.

Part-time Employee: A new employee who you reasonably expect to be employed on average fewer than 30 hours per week, based on the facts and circumstances at the employee's start date. These are the same factors to consider in determining a new employee's FTE status immediately above.

Variable Hour Employee: An employee with uncertain total hours who may be employed on average fewer than or more than 30 hours per week. Based on the same facts and circumstances used for the FTE determination at the employee's start date, you cannot determine the employee's average hours of service per week during the initial measurement period. For purposes of determining whether an employee is a variable hour employee, you may not take into account the likelihood that the employee may terminate employment before the end of the initial measurement period.

Seasonal Employee: an employee who is hired into a position for which the customary annual employment is six months or less. (Note: "Seasonal Employee" used for hour tracking is not the same as "Seasonal Worker" used for determining if you are an ALE. See Appendix A.)

Reporting Variable Hour Data to TASC

You can schedule a call with the TASC Electronic Data Interchange (EDI) Specialist who will help you set up your transmittals. **Data must be submitted to TASC by the 5th day after the end of the reported payroll period**.

Review TASC Reports and Make Enrollment Changes

TASC will make monthly reports available for your review. These reports will show which Variable Hour, Part-Time and Seasonal employees must be offered coverage, and the start date for coverage offered. Making the offers of coverage is key to avoiding 4980H Penalties. In addition, the monthly reports will detail whether any FTEs failed to meet the hourly requirements to maintain continue coverage, and the date their coverage would terminate.

> Compliance Note: These terminations are for a "reduction of hours" and require you to offer the terminated employee, covered spouse, and covered dependents the right to continue coverage under COBRA.

The Primary Client Contact named on the Group Business Plan Application will be sent monthly reports by the 10th of each month, beginning on the first of the month following the receipt of a complete month's data and necessary Historical Data. See the Variable Hour Tracking Data Summary for detail regarding Historical Data.

Controlled Group

If your company is not part of a controlled group, please disregard this section.

TASC can assist an ALE that is a member of a 'Controlled Group' file their ACA shared responsibility returns. In general, a Controlled Group has to complete all of the same items completed by a single employer plus some additional items. These additional requirements are outlined below.

ALE Determination

If during any month of the calendar year you were a member of a Controlled Group the reporting requirements identified below will apply. The Controlled Group rules are the same as used for 401k and other retirement vehicle purposes. Related entities are treated as a single employer under section 414(b), (c), (m), or (o) including entities described under section 414(b) or (c), an affiliated service group under section 414(m), or an entity in an arrangement described under section 414(o). The employees of each member of the Controlled Group are added together to determine ALE status.

TASC will not be able to advise a Client on the Client's Controlled Group status. That determination would require a review of all corporate papers for each entity to determine ownership. Not all types of ownership are considered. This review and determination is not within the scope of services provided by TASC. TASC will rely on each client to determine and communicate their Controlled Group status to TASC.

Separate Treatment

Each member entity of a Controlled Group is treated separately as follows:

Separate Penalties

Under the proposed and final regulations, each ALE member is liable for its section 4980H assessable payment, and is not liable for the section 4980H assessable payment of any other entity in the controlled group.

Separate ACA Reporting

Each ALE member entity of a Controlled Group files a separate Authoritative Transmittal using 1094-C. Each ALE member entity of a Controlled Group will file and send their employees the 1095-Cs.

Two Additional Data Requirements

There are two additional data requirements needed to complete your filing:

1) When you completed the Group Business Plan Application you indicated that you were a member of a Controlled Group and were required to enter the name and EIN number for all of the Controlled Group entities in order of size. If this was not provided then TASC will not be able to complete the filing on your behalf.

2) TASC will need to report the aggregate number of 1095-C reports attached to all entities that are a part of your Controlled Group. TASC can compute this number if it administers the ACA reporting for all entities in your Controlled Group.

Controlled Group

Some Employee Notes

1) A full-time employee who works for more than one employer that is a member of the same Aggregated ALE Group (that is, works for two separate ALE Members) must receive a separate Form 1095-C from each employer, unless the ALE Member is not treated as the employer for any calendar month in the calendar year.

2) For any calendar month in which a full-time employee works for more than one ALE Member of an Aggregated ALE Group, only one ALE Member is treated as the employer and only that ALE Member reports for that employee for that calendar month (and the other ALE Member is not required to report for that employee for that calendar month). If under these rules, an ALE member is not required to report for an employee for any month in the calendar year, the employer is not required to report for that full-time employee for that calendar year. For a description of the rules related to determining which ALE Member in an Aggregated ALE Group is treated as the employer for a month in this situation.

3) If a full-time employee works for multiple ALE members within the same aggregated ALE group (that is, works for separate employers within the same controlled group), each separate ALE member must furnish a separate Form 1095-C to the employee.

Business Processing Event Time Line

Event Kit		Event Title	Duration*	Responsibility
	1.	Submit application with fees.	Varies*	Provider
	2.	TASC receives and previews application.	2+ days(if clean)	TASC
	3.	TASC enters the new business.	1+ days	TASC
	4.	Enter Client information and establish the Client account.	2 days	TASC
Kit One	5.	TASC emails Client material including the Client Administrative Manual.	1 day	TASC
	6.	On-Boarding Call	1 day	TASC
	7.	Client returns EDI set-up and Variable Hour set-up materials if applicable.	Varies*	Client
	8.	Client completes file testing with TASC EDI team.	Varies*	Client
Historical File	9.	Client prepares and Submits Historical Data File. **one time file*	1 day	Client
Monthly File	10.	Client Provides Monthly File of all benefit eligible employees.	30 days	Client
Variable File	10a.	Client provides per payroll file of work hours for all employees. (*optional)*	5 days	Client
File Processing	11.	TASC reviews files for error and uploading.	5 days	TASC
	12.	Error logs are reviewed and communicated to Client.	5 days	TASC
	13.	Client provides corrections on any errors.	3 days	Client
Reporting	14.	TASC will provide individual mandate forms to the Client for non-email distribution.	By 01/15	TASC
	15.	TASC will electronically issue the forms to the employees if email is provided.	By 01/15	TASC
	16.	TASC files ACA Employer reporting to IRS and electronically provides to Client.	By 02/28	TASC
	17.	TASC provides monthly report emailed to Client on required coverage offers. (*if variable hour is selected*)	10th of the month	TASC

TASC Invoicing Practices

Purpose

TASC's Invoicing Practices aim to foster a clear understanding by communicating expectations to all clients, ensuring compliance to TASC Plans and services, creating consistency between all of TASC's divisions, and ensuring the continuation of services.

Philosophy

To ensure that TASC operations continue to run smoothly, various actions need to occur in a timely manner, including the payment of TASC administrative fees. Paying in advance demonstrates that the Plan is for the benefit of employees and provides further evidence that the Plan has been established on a pre-thought basis. TASC invoices in advance for two reasons:

1. TASC requires a commitment in advance of the business being processed, and
2. TASC requires a payment history for its Clients, so as to determine the Clients' status of good standing.

Types of Payments for Administrative Fees

- Debit - Clients may pay administrative fees or funding invoices via an electronic ACH Debit transfer.

Client Responsibilities

- Please make your checks payable to TASC Administration. Checks incorrectly payable to ACA Employer Reporting can cause some confusion and may delay the administration of your Plan.

- Mail invoices and payments in the envelope provided (goldenrod color) to: TASC, 2302 International Lane, Madison, WI 53704-7098.

    - All invoice payments must be submitted separately from all other payments and transactions.
    - All invoice payments must be made separately (i.e. one check with one invoice).

- Notify TASC of any disputes or any changes.

Confidentially Speaking Reporting Program

Program Demonstrates Commitment to Excellence

The Confidentially Speaking program guarantees that TASC employees, customers, and vendors can safely and anonymously communicate with management regarding sensitive information.

Why did TASC Implement this Program?

A renewed interest in corporate governance, spurred by the Sarbanes-Oxley Act, has motivated many organizations to implement an anonymous reporting hotline. Because TASC's Confidentially Speaking system helps employees, customers, and vendors voice their opinions and concerns, we're able to gain valuable feedback that otherwise might not be forthcoming. Finally, besides helping our efforts to mitigate risk, this information helps us maintain an ethical environment within TASC.

As part of our organization's core values and best practices, we expect TASC to conduct business in a legal and ethical manner. We do not condone any illegal or unethical behavior. All members of our TASC team are asked to let us know immediately if they become aware of unacceptable activity occurring within the organization. TASC management in turn takes steps to appropriately address the issue.

How Does it Work?

If you have knowledge about the occurrence of unethical activity, promptly report the situation to a Confidentially Speaking representative via website or phone. You may remain 100% anonymous, no matter the method of reporting.

Reporting via Website: www.tasc.alertline.com

The user-friendly website makes reporting easy. It walks you through each step of the reporting process, which includes answering a few questions required as part of the feedback collection process. You may also upload supporting documents to the website.

Possible Categories of Unacceptable Activities and Unethical Behavior

Accounting, Auditing, and Financial Concerns

Conflict of Interest Falsification of Information

Release of Proprietary Information Fraud, Deceit, and Embezzlement

Securities Violations

Theft, Safety Concerns, Company Policy Violations

If you wish to receive follow-up information, you may do so in two ways. You may create a custom website password to allow you to check the case status and communicate anonymously. Or, you may provide an email address to receive follow-up information anonymously.

Confidentially Speaking is administered by Navex Global, and independent organization that is contractually forbidden to disclose your personal information to TASC.

Reporting via phone: 877-874-8416

If you would rather call, a highly trained representative will thoroughly interview you about the issue. It is advantageous to be as upfront as possible with the interviewer. Once the report/call is complete, you will receive a unique code related to your report which will allow you to check the case status and/or to follow- up on the matter.

After Reporting

The issue will be investigated and escalated as necessary and appropriate. Besides helping our efforts to mitigate risk, this information helps us maintain an ethical environment within TASC. Comments and feedback are taken seriously and may directly affect the success and culture of our organization.

Forms

Appendix A

Applicable Large Employer 'ALE' Worksheet Instructions

The ALE Worksheet provides a tool with which to determine and document your ACA reporting status. It is easy to use and requires you to perform some basic calculations as described below. If you determine per the Worksheet that your business is on the cusp, be sure to monitor your status and reporting requirements. To do so, simply update this Worksheet every calendar year.

It is important that you become familiar with the following terms that apply to your workforce.

Full-Time Employees (FTEs): The statute defines a full-time employee as one whom, with respect to any month, works at least 30 hours per week. (Note: 130 hours of service in a calendar month is considered the monthly equivalent of at least 30 hours of service per week).

An "employee" is defined under the common-law standard, the same standard used to determine whether someone is a consultant.

The employer-employee relationship exists when the person for whom services are performed has the right to control and direct the individual who performs the services, not only as to the result to be accomplished by the work, but also regarding the details and means by which that result is accomplished. That is, an employee is subject to the will and control of the employer not only regarding what services shall be performed, but also how it shall be performed. In this connection, the employer need not actually direct or control the manner in which the services are performed; it is sufficient if s/he has the right to do so. The right to discharge is also an important factor indicating that the person possessing that right is an employer. Other factors characteristic of an employer, but not necessarily present in every case, are the furnishing of tools and the furnishing of a place to work to the individual who performs the services. In general, individuals are not employees if they are subject to the control or direction of another merely as to the result to be accomplished by the work and not as to the means and methods for accomplishing the result.

Some examples of persons not considered employees: leased employee, a sole proprietor, a partner in a partnership, and a 2% S corporation shareholder. Employees who work outside the U.S. are excluded. Typically, all persons who receive a W-2 are employees.

Full-Time Equivalent Employees: FTE-equivalents are included. Include and count part-time employees as a fraction of an FTE with the number of hours regularly scheduled to work over 30, or if monthly the number of hours over 120 scheduled in a month. These part-time employees are added together and become your FTE-equivalents. (Seasonal and Variable Hour employees, if applicable to your workforce, are counted as part-time employees for this calculation.)

Example -- This employer is an ALE with 50 FTEs: 40 employees are regularly scheduled to work 30 or more hours per week and 20 employees are regularly scheduled to work 15 hours per week. Each of the 40 employees is counted once and each of the 20 part-time employees is counted as a one-half employee, 15/30 or ½. This calculation adds 10 FTE-equivalents. 40 FTEs + 10 FTE-equivalents =50 total FTEs.

Example -- This employer is an ALE with 50 FTEs: 40 employees are regularly scheduled to work 130 or more hours per calendar month and 20 employees are regularly scheduled to work 60 hours per calendar month. Each of the 40 employees is counted once and each of the 20 part-time employees is counted as a one-half employee, 60/120 or ½. This calculation adds 10 FTE-equivalents. 40 FTEs +10 FTE-equivalents =50 total FTEs.

Periods of time during which no duties are performed prior to a termination of employment, such as periods of time during which the employee is collecting state Worker Compensation benefits or periods of disability covered under employer-sponsored benefits.

Special Unpaid Leave. The time your FTE is on special unpaid leave is counted towards hours worked. Special Unpaid Leave means the following:

1) Unpaid leave that is subject to the Family & Medical Leave Act of 1993 (FMLA), Public Law 103–3, 29 U.S.C. 2601 et seq.;
2) Unpaid leave that is subject to the Uniformed Services Employment & Reemployment Rights Act of 1994 (USERRA), Public Law 103–353, 38 U.S.C. 4301 et seq.; or
3) Unpaid leave on account of jury duty.

During Special Unpaid Leave the hours of service are added at the rate equal to the average of the prior months during the same calendar year. There is no limit to the number of Hours of Service that can be credited with respect to Special Unpaid Leave.

Educational Organizations Break In Service: For an FTE's Break in Service that is not a part of a Special Unpaid Leave, count the months on leave as months worked. For instance, count staff as FTEs during the summer break with the average hour credited. No more than 501 hours of service are required to be credited.

For both Special Unpaid Leave and Educational Organizations Break in Service purposes, you may use any reasonable method to credit hours if applied consistently. If an employee's average rate is being computed for a measurement period that is shorter than six months, use the six-month period ending with the close of the measurement period to compute the average hours of service.

Seasonal Workers: The term Seasonal Worker is more technical than Seasonal Employee in regards to tracking ACA hours. A Seasonal Worker is one who performs labor or services on a seasonal basis. Seasonal Employees can be full-time or part-time employees.

Use the following factors to determine whether an employee is a Seasonal Worker:

1) The employment pertains to or is of the kind exclusively performed at certain seasons or periods of the year and which, from its nature, may not be continuous or carried on throughout the year. Workers who move from one seasonal activity to another, while employed in agriculture or performing agricultural labor, are employed on a seasonal basis even though they may continue to be employed during a major portion of the year.
2) A worker is employed for a limited time only, or his performance is contemplated for a particular piece of work, usually of short duration. Generally, employment which is contemplated to continue indefinitely, is not seasonal.

Seasonal Worker does not include the following:

1) The employment of any foreman or other supervisory employee who is employed by a specific agricultural employer or agricultural association essentially on a year round basis.
2) The employment of any worker who lives at his/her permanent place of residence on the employer's land, when that worker is employed by a specific agricultural employer or agricultural association on essentially a year round basis to perform a variety of tasks for the employer and is not primarily employed to do field work.

This includes workers employed exclusively during holiday seasons. Employers may apply a reasonable, good faith interpretation of the term Seasonal Worker.

Seasonal Workers Relief: If your FTE count remains under 50 except for a 120-day period (can be counted as four calendar months) in which you employ over 50 individuals as Seasonal Workers, then you are not an ALE. This rule allows you to avoid ALE status when your non-seasonal workforce (including FTEs) is 50 or fewer employees. This exception does not apply if you employ more than 50 individuals for more than four calendar months. The 120 day period (4 month period) does not have to be consecutive.

Volunteers and Work Study: Do not count a "Bona fide volunteer" or someone participating in a "Work Study Program."

> Bona Fide Volunteer: An employee of a government entity or an organization described in Section 501(c) who is exempt from taxation under Section 501(a) whose only compensation from that entity or organization is in the form of—(i) Reimbursement for (or reasonable allowance for) reasonable expenses incurred in the performance of services by volunteers, or (ii) Reasonable benefits (including length of service awards), and nominal fees, customarily paid by similar entities in connection with the performance of services by volunteers.
>
> Work Study Program: Do not count any hours for services performed as part of a program that provides part-time employment to students at institutions of higher education.

ALE Worksheet Calculations

To complete the Worksheet, some basic calculations and sorting functions are necessary. You will need to sort the page for FTEs, part-timers, and seasonal employees, and must add fractions for any part-time employees to determine FTEs.

As mentioned earlier, if you determine per the Worksheet that your business is on the cusp, be sure to monitor your status and reporting requirements. To do so, simply update this Worksheet every calendar year. No matter your determination, we recommend that you complete the Worksheet every calendar year.

Appendix A

Entering Data

- Columns A and B: Enter a line for each employee. Include all classes of employees defined above. The ID field is optional for your use in sorting or locating data.
- Column C: Enter the hours regularly scheduled to work during the month. Do not enter reductions for Special Unpaid Leaves defined above, approved leaves, vacations, or overtime.
- Column D: Enter the status – FTE, Part-Time.
- Column E: Enter Yes or No for Seasonal Employee status.

Calculations

1) Sort each monthly spreadsheet by the status.
2) Count each FTE once. Seasonal employees who are considered FTEs are counted here. Enter the number of FTEs for each month on the first tab, Line 6, "Count."
3) Add Part-Time Employee hours together for each month; enter total PTE hours for each month on the first tab, Line 12, "Hours." Line 13 will automatically divide the number of PTS hours by 120 to give you the number of FTE-equivalent employees.
4) Line 18, first tab: automatically adds Line 6, your count of FTEs, and Line 13, your FTE-equivalent employees.
5) Line 18, Column O, under "Average" will provide you with your average FTE count for ACA reporting purposes.

Seasonal Relief Rule – if applicable.

1) Sort each month by Column E, "Seasonal Employees."
2) Remove the Seasonal Employees from the FTE count and enter the number of remaining Non-Seasonal FTEs on Line 26 on the first tab.
3) Recalculate the part-time hours by removing seasonal employees. Add non-seasonal part-time hours for each month, and enter them on the first tab for each month, line 32.
4) You are not an ALE if your average on line 38, column O is under 50.
5) You are not an ALE if there are four months in which the FTE count on Line 38 is under 50. The four month period does not have to be consecutive.

Appendix B

Minimum Value (MV) Checklists

A Plan does not provide MV if it excludes substantial coverage for in-patient hospitalization services or physician services (or both). This includes Plans referred to as "skinny plans" that fail to meet the essential benefits definition in the ACA, and includes tax advantaged account Plans such as HRAs or health FSAs, whether considered an except¬ed benefit or not. Certain safe harbor Plan designs that satisfy MV will be specified in additional federal guidance under Sections 36B or 4980H. It is anticipated that the guidance will provide that the safe harbors are examples of Plan designs that would satisfy the 60% threshold if measured using the MV Calculator. The safe harbors are intended to provide an easy way (without having to use the MV Calculator) for Plan Sponsors of typical employer-sponsored group health plans to determine whether a Plan meets the MV threshold.

During the interim, Plan designs that meet the following specifications are proposed as safe harbors for determining MV, if the Plans cover all of the benefits listed below:

1) A Plan with a $3,500 integrated medical and drug deductible, 80% Plan cost-sharing, and a $6,000 maximum out-of-pocket limit for employee cost-sharing;
2) A Plan with a $4,500 integrated medical and drug deductible, 70% Plan cost-sharing, a $6,400 maximum out-of-pocket limit, and a $500 employer contribution to an HSA; and
3) A Plan with a $3,500 medical deductible, $0 drug deductible, 60% Plan medical expense cost-sharing, 75% Plan drug cost-sharing, a $6,400 maximum out-of-pocket limit, and drug co-pays of $10/$20/$50 for the first, second and third prescription drug tiers, with 75% coinsurance for specialty drugs.

The following benefits must be included:

- All Inpatient Hospital Services (including mental health and substance abuse)
- Emergency Room Services
- Imaging (CT/PET Scans, MRIs)
- Laboratory Outpatient and Professional Services
- Mental/Behavioral Health and Substance Abuse Disorder Outpatient Services
- Outpatient Facility Fee (e.g., Ambulatory Surgery Center)
- Outpatient Surgery Physician/Surgical Services
- Prescription Drugs, generic, preferred brand, non-preferred brand and specialty high cost drugs
- Preventive Care/Screening/Immunization
- Primary Care Visit to Treat an Injury or Illness (exc. Well Baby, Preventive, and X-rays)
- Rehabilitative Occupational and Rehabilitative Physical Therapy
- Rehabilitative Speech Therapy
- Skilled Nursing Facility
- Specialist Visit, and
- X-rays and Diagnostic Imaging

IRS Reporting Data Summary

Basic Requirements

- Submit data to TASC by the fifth day of each month. The final file for the calendar year must be submitted by December 15th so TASC can meet filing deadlines.
- All data field names on data submitted must be presented exactly as in the data specifications.
- Historical Data: New Clients must submit data for every month of the calendar year in which you become a new TASC ACA employer reporting Client. If you submit a Group Business Plan Application after December 15th then begin reporting the next calendar year's data.

Which Employees are Reported

Full-time employees: An ALE must file Form 1095-C for each FTE for each month of the calendar year. You will report FTEs to TASC on a monthly basis.

Self-insured Rule: In addition, an ALE member who sponsors a self-insured health plan must file Form 1095-C for all covered employees and covered family members, regardless of whether the employee is an FTE for any month of the calendar year.

The statute defines an FTE as one whom, with respect to any month, works at least 30 hours per week (130 hours of service in a calendar month is treated as the monthly equivalent of at least 30 hours of service per week).

Note: An "employee" is defined under the common-law standard, the same standard used in determining whether someone is a consultant.

The employer-employee relationship exists when the person for whom services are performed has the right to control and direct the individual who performs the services, not only regarding the result to be accomplished by the work but also the details and means by which that result is accomplished. That is, an employee is subject to the will and control of the employer not only regarding what shall be done but how it shall be done as well. In this connection, the employer need not actually direct or control the manner in which the services are performed; it is sufficient if he/she has the right to do so. The right to discharge is also an important factor indicating that the person possessing that right is an employer. Other factors characteristic of an employer, but not necessarily present in every case, are the furnishing of tools and the furnishing of a place to work to the individual who performs the services. In general, an individual is not an employee if he/she is subject to the control or direction of another merely as to the result to be accomplished by the work and not as to the means and methods for accomplishing the result.

Some examples of persons not considered employees: leased employee, a sole proprietor, a partner in a partnership, and a 2% S corporation shareholder. Employees who work outside the U.S. are excluded. Typically, all persons who receive a Form W-2 are employees.

Special Unpaid Leave: When your FTE is on special unpaid leave the time is counted towards the employee's hours of service. There are special rules for determining the "average hours" for tracking purposes. For this purpose, count any month in which an employee was out on special unpaid leave as a full-time month.

Special Unpaid Leave means—

1. Unpaid leave that is subject to the Family & Medical Leave Act of 1993 (FMLA), Public Law 103–3, 29 U.S.C. 2601 et seq.;
2. Unpaid leave that is subject to the Uniformed Services Employment & Reemployment Rights Act of 1994 (USERRA), Public Law 103–353, 38 U.S.C. 4301 et seq.; or
3. Unpaid leave on account of jury duty.

Demographic Data Fields

Many fields are self-explanatory and not detailed in this Summary (such as but not limited to names, addresses, EIN numbers).

Submitting Data to TASC

Submit data to TASC via Upload at www.tasconline.com. Clients are provided a 12-digit ID and log in, or continue to use existing log in, to select MyDocuments and upload the appropriate file. The Electronic Data Interchange (EDI) team will initialize this process with you and test your files prior to production.

The Monthly Data File

Data items, other than demographics, are defined below in the same order as in the data specifications.

Various technical terms and codes must be understood in order to report. For each month, your IRS filing must show that coverage has been offered, or that the offer is excused (for instance the month is subject to a Limited Non-Assessment Period). The IRS has broken the Limited Non-Assessment Period excuses into codes provided below with detailed descriptions. Report these codes on the monthly employee's file as applicable. Remember, this information drives any 4980H Penalties that could be due.

Employee Share (number with 2 decimal points)

This is the employee contribution for the lowest cost employee only coverage offered under your Plan, even if no one has elected that option. This amount (a) is the same for all employees submitted within a particular benefits class, (b) is not the amount paid by any one employee, and (c) may change during the calendar year. (For example, if your Plan Year is not a calendar year and you adjust employee contributions at open enrollment.) See ACA Employer Reporting Manual, "Is your Plan Affordable?" content for detail regarding this requirement.

4980H Safe Harbor (2A, 2B, 2C, 2D, 2E, 2F, 2G, 2H)

Enter the applicable code below, if any, for a month in which one of the following situations applied to the employee:

- the employee was not employed or was not an FTE;
- the employee enrolled in the MEC offered;
- the employee is in a Limited Non-Assessment Period; and
- any affordability safe harbors with respect to this employee.

In some circumstances more than one situation applies to the same employee in the same month. (For example, an employee could be enrolled in health coverage for a particular month in which he/she is not an FTE.) Nevertheless, you may use only one code for a particular calendar month. For any month in which an employee enrolled in MEC, enter Code 2C Reporting Enrollment instead of any other code that could also

apply. For an employee who did not enroll in health coverage, specific ordering rules provided below. Remember, these codes excuse you from a 4980H(b) Penalty.

2A. **Employee not employed during the month**. Enter Code 2A if the employee was not employed on any day of the calendar month. Do not use Code 2A for any month in which the individual was an employee on any day of that calendar month. Do not use Code 2A for any month in which an employee terminates employment with the employer.

2B. **Employee not an FTE**. Enter Code 2B if the employee is not an FTE for the month and did not enroll in minimum essential coverage, if offered for the month.

Also enter Code 2B if the employee is an FTE for the month and his/her offer of coverage (or coverage if the employee was enrolled) ended before the last day of the month solely because the employee terminated employment during the month. (In sum, the offer of coverage or actual coverage would have continued if the employee had not terminated employment during the month.)

2C. **Employee enrolled in coverage offered.** Enter Code 2C for any month in which the employee enrolled in health coverage offered by the employer, regardless of whether any other code in Code Series 2 might also apply. This is the most common code used for ongoing FTES who remain covered under your Plan.

2D. **Enter Code 2D for an employee in a Limited Non-Assessment Period**. The "Limited Non-Assessment Periods" to consider:

1) An employer's first year as an ALE, see the ACA Employer Reporting Manual, "Are you a New ALE?" content for details on the transition relief and whether you qualify to enter this code for any month.
2) An employer who uses the Monthly Measurement Period uses Code 2D for the first three full calendar months following the first month an employee becomes eligible for an offer of MV affordable coverage. This applies only to the first time an employee is eligible for an offer of coverage during his/her employment.
3) For a new FTE (not a seasonal employee), if you use the Look Back Measurement Period enter Code 2D for the three-month period beginning with the first day of the first full calendar month of employment if, for the calendar month in which the employee is otherwise eligible for an offer of coverage under your group health plan, and the employee will be offered coverage no later than the first day of the fourth full calendar month of employment if the employee is still employed on that day. This is the most common code entered for an FTE who is in a Plan's waiting period.
4) Employees determined to be employed on average at least 30 hours of service per week. Use Code 2D with respect to a new variable hour, new seasonal, or new part-time employee who has averaged at least 30 hours per week during any month that falls within his/her initial measurement period, and the initial administrative period, provided that the employee is offered MV affordable coverage no later than the first day of the associated stability period if the employee is still employed on that day.
5) Change in employment status during the initial measurement period. Enter Code 2D when a new variable hour, new seasonal, or new part-time employee experiences a change in employment status to become an FTE before the end of the initial measurement period. Enter the code for any month before the fourth full calendar month following the change in employment status.
6) Use Code 2D for any month in which coverage was not provided the entire month because the employee's start and/or termination of employment date is not the first day of the month.

Note: If an employee is in an initial measurement period, enter Code 2D (employee in a Limited Non-Assessment Period) for the month, and not Code 2B (employee not an FTE).

2E. Enter Code 2E for any month in which an FTE is covered under a group health plan required by a collectively bargained agreement or appropriate related participation agreement, when you as the employer make a contribution to the coverage on behalf of the FTE. By entering this code, your contribution to the coverage will be considered an "offer" under the ACA.
2F. Section 4980H Affordability Form W-2 Safe Harbor. Enter Code 2F if you used the W-2 Safe Harbor to determine affordability. See the ACA Employer Reporting Manual, "Is your Plan Affordable?" content for detail regarding this requirement and the safe harbors available.
2G. Section 4980H Affordability Federal Poverty Line Safe Harbor. Enter Code 2G if you used the Section 4980H Federal Poverty Line Safe Harbor to determine affordability. See the ACA Employer Reporting Manual, "Is your Plan Affordable?" content for detail regarding this requirement and the safe harbors available.
2H. Section 4980H Affordability Rate of Pay Safe Harbor. Enter Code 2H if you used the Rate of Pay Safe Harbor to determine affordability. See the ACA Employer Reporting Manual, "Is your Plan Affordable?" content for detail regarding this requirement and the safe harbors available.

Offer of Coverage Codes (1A, 1B, 1C, 1D, 1E, 1F, 1G, 1H, 1J, 1K)

Use the Offer of Coverage Codes to report whether an offer of coverage was made to an employee for each month of the year, and if so what type of coverage was provided. An Offer of Coverage is considered to have been made for a month only if the coverage would be provided for every day of that month.

Enter the appropriate code for each employee for each monthly submission.

1A. Qualifying Offer: Minimum essential coverage providing minimum value offered to FTE with employee contribution for self-only coverage equal to or less than 9.66% mainland single federal poverty line and at least minimum essential coverage offered to spouse and dependent(s).
1B. Minimum essential coverage providing minimum value offered to employee only.
1C. Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage offered to dependent(s) (not spouse).
1D. Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage offered to spouse (not dependent(s)).
1E. Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage offered to dependent(s) and spouse.
1F. Minimum essential coverage NOT providing minimum value offered to employee, or employee and spouse or dependent(s), or employee, spouse and dependents.
1G. Offer of coverage to employee who was not an FTE for any month of the calendar year and who enrolled in self-insured coverage for one or more months of the calendar year.

An employer who sponsors a self-insured health plan may report enrollment information for individuals who were not employees on any day of the calendar year by entering Code 1G for all twelve months. Such individuals might include a non-employee director, a terminated employee receiving COBRA coverage who terminated employment in a previous calendar year, a retired employee who terminated employment in a previous calendar year, or a family member (including a surviving spouse or dependent) of such an individual if the family member is receiving coverage independent of the individual, such as a surviving spouse of a retiree who is enrolled in the Plan because the retiree elected self plus spousal coverage.

1H. No offer of coverage (employee not offered any health coverage or employee offered coverage that is not minimum essential coverage). For the first month of employment, report that the employee was not offered coverage for that first month by entering Code 1H (unless the offer of coverage extended to every day of that month). For example, a newly-hired employee starts employment on the 10th day of a calendar month, and accepts the offer of coverage, to begin on the 10th day of the next calendar month; you must indicate that the employee was not offered coverage for that first month.

If an employee terminates employment on any day other than the last day of a month and the coverage or offer of coverage expires upon termination of employment, enter Code 1H to report that the employee was not offered coverage for that final month of employment.

1J. Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage conditionally offered to spouse; minimum essential coverage not offered to dependent(s). A conditional offer is an offer of coverage that is subject to one or more reasonable, objective conditions (for example, an offer to cover an employee's spouse only if the spouse is not eligible for coverage under Medicare or a group health plan sponsored by another employer).

1K. Minimum essential coverage providing minimum value offered to employee; at least minimum essential coverage offered to dependents; and at least minimum essential coverage conditionally offered to spouse. A conditional offer is an offer of coverage that is subject to one or more reasonable, objective conditions (for example, an offer to cover an employee's spouse only if the spouse is not eligible for coverage under Medicare or a group health plan sponsored by another employer.)

Self-Funded Only

In order for TASC to report covered dependents to the IRS you will need to send TASC the date of birth for each dependent, and if available, their social security number. When there are multiple births on the same day, for instance twins, then the social security numbers are required.

Important IRS Updates

The IRS recently released final instructions for completion of Forms 1094-C and 1095-C (related to the Employer mandate) and Forms 1094-B and 1095B (related to the Individual mandate). A number of important items in this final guidance are addressed below.

General Rules That are Applicable to COBRA Participants

ACA mandates that an ALE must offer Minimum Essential Coverage to FTEs and their dependents that is both affordable and of minimum value in order to avoid penalties. The ALE reports such information to both the IRS and the employee. Forms used for this purpose are the 1094-C and 1095-C.

Employers are only responsible for ACA penalties related to coverage for FTEs and FTE's dependents. Since the employee who is now a COBRA participant is either terminated or part time there is no possibility for an Employer ACA penalty.

The Employer Mandate reporting instructions for form 1095-C (Part II) requires the Employer to enter an Offer of Coverage code and a 4980H Safe Harbor code for each month of the year, even the months after termination of employment. These data fields, are not associated with any chance of penalties, they are merely fillers required by the IRS.

In addition, under ACA there is an Individual Mandate requiring individuals to maintain MEC coverage throughout the calendar year. In general reporting for the Individual Mandate is the responsibility of the entity issuing the coverage.

- For insured plans that is the insurance company, HMO, who send the covered person a Form 1095-B.
- For self-funded plans that is the Employer. An ALE will typically fulfill this requirement by including this information on Form 1095-C in Part III. This is in lieu of issuing a 1095-B form. TASC will send employees and COBRA Qualified Beneficiaries a Form 1095-C.

Insured Plans

For the Employer Mandate reporting on Form 1095-C (Part II), please note the following:

- Termination Of Employment
  - The Codes sent for the month following the loss of coverage through the end of the calendar year:
    - Report 1H (Offer of Coverage), no premium reported for the lowest cost self only coverage (Employee Share), and 2A (4980H Safe Harbor) regardless of whether COBRA coverage is elected.
  - Please note: The individual would not be reported in subsequent calendar years.

- Reduction In Hours:
  - The Codes sent for the month of the loss of coverage through the end of the calendar year:
    - If the Employee enrolls in COBRA Coverage, report the Offer of Coverage using the appropriate 1X Code (e.g., 1A, 1B, etc.) for the month coverage was lost and the remaining coverage period, the premium amount (Employee Share) reported = 102% of the actual cost of the lowest employee only coverage (the COBRA premium), and 2B (4980H Safe Harbor).
    - If the Employee did not enroll in COBRA coverage, report the Offer of Coverage using the appropriate 1X Code (e.g., 1A, 1B, etc.) for the month coverage was lost and the remaining coverage period, no Employee Share and 2B (4980H Safe Harbor).
  - Please note: Individual would not be reported in subsequent calendar years.

Employers with insured plans rely on the carrier to send the employee a 1095-B (to fulfill the Individual Mandate reporting requirement).

Self-Funded Clients

For the Employer Mandate reporting on Form 1095-C (Part II), please note the following:

- Termination of Employment:
  - The Codes sent for the month following the loss of coverage through the end of the calendar year:
    - Report 1H (Offer of Coverage), no Employee Share, and 2A (4980H Safe Harbor) regardless of whether COBRA coverage is elected.
    - If the terminated employee did not enroll in COBRA , but the spouse or dependents enrolled independently they would be reported on their own report line using 1G (Offer of Coverage) for each month covered, no Employee Share (line 15), and no 4980H Safe Harbor. This coding is done as these enrolled individuals must still be reported for the Individual Mandate.
  - Please note that for the next calendar year report only those terminated employees who enrolled in COBRA coverage using 1G (Offer of Coverage) for each month covered, no Employee Share (line 15), and no 4980H Safe Harbor.
    - This coding is done as the enrolled COBRA participant and any spouse or dependent under their coverage must still be reported for the Individual Mandate.
    - Those who did not enroll in COBRA coverage are dropped from reporting.
    - If the terminated employee did not enroll in COBRA , but the spouse or dependents enrolled independently they would be reported on their own report line using 1G (Offer of Coverage) for each month covered, no Employee Share (line 15), and no 4980H Safe Harbor. This coding is done as enrolled individuals must still be reported for the Individual Mandate.

- Reduction in hours - self funded
  - The Codes sent for the month of the loss of coverage through the end of the calendar year:
    - If the Employee enrolls in COBRA coverage, report the Offer of Coverage using the appropriate 1X Code (e.g., 1A, 1B, etc.) for the month coverage was lost and the remaining coverage period, the Employee Share = 102% of the actual cost of the lowest employee only option (the COBRA premium), and 2B (4980H Safe Harbor).
    - If the Employee does not enroll in COBRA coverage, report the Offer of Coverage using the appropriate 1X Code (e.g., 1A, 1B, etc.) for the month coverage was lost and the remaining coverage period, no Employee Share and 2B (4980H Safe Harbor).
  - Please note that for the next calendar year report only those reduced hour employees who enrolled in COBRA coverage using 1G (Offer of Coverage) for each month covered, no Employee Share (line 15), and no 4980H Safe Harbor.
    - This coding is done as enrolled COBRA participants and any spouse or dependent under their coverage must still be reported for the Individual Mandate.
    - Those who did not enroll in COBRA coverage are dropped from reporting.
    - If the terminated employee did not enroll in COBRA , but the spouse or dependents enrolled independently they would be reported on their own report line using 1G (Offer of Coverage) for each month covered, no Employee Share (line 15), and no 4980H Safe Harbor. This coding is done as enrolled individuals must still be reported for the Individual Mandate.

Employees in a Limited Non-Assessment Period

- For employees in waiting periods who never advanced out of said waiting period:
  - No Form 1095-C need be produced and/or filed (employee need not receive Form 1095-C).
  - On Form 1094-C these individuals must be counted and included. Note, it is not a compliance issue if you send the data and forms generate from the TASC program.

  New IRS guidance offers the following tip:
  "An employer need not file a Form 1095-C for an individual who for each month of a calendar year is either not an employee of the employer or is an employee in a Limited Non-Assessment Period. However, for the months in which the employee was an employee of the employer, such an employee would be included in the total employee count reported on Form 1094-C, Part III, Column (c). Also, if during the Limited Non-Assessment Period the employee enrolled in coverage under a self-insured employer-sponsored plan, the employer must file a Form 1095-C for the employee to report coverage information for the year."

Health Reimbursement Accounts (HRAs)

- Employers with Health Reimbursement Accounts that are integrated with a fully-insured group health plan are not required to report the HRA coverage. (It had already been established that an employer with an HRA integrated with a self-insured group health plan is not required to report that HRA coverage.)

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