

The Definitive Guide to ACA Reporting

What you need to know to comply with the reporting requirements of the Affordable Care Act



Complying with the Affordable Care Act (ACA) poses a daunting challenge for most organizations, no matter the industry. Compliance requires a solid understanding of the law's many provisions, including a set of complex requirements for reporting employee data to the Internal Revenue Service (IRS). The reporting requirements can present difficulties in the following areas:

- ✓ **Coordinating** multiple sources of employee data required for reporting
- ✓ **Dealing** with issues associated with extracting relevant employee data from various sources
- ✓ **Correctly reporting** health benefits offered to employees
- ✓ **Populating** complex ACA reporting forms
- ✓ **Obtaining** data not tracked prior to the ACA
- ✓ **Tracking** data across mergers and acquisitions

The purpose of this guide is to provide a foundation for understanding the reporting requirements and reporting process, and to help organizations think through the options for tackling the challenge of compliance, from handling it in-house to engaging an ACA compliance expert.

Overview of ACA reporting requirements



Who Must Report:

Employers with at least 50 full-time employees, including full-time equivalent employees.



What Must Be Reported:

Information about the healthcare coverage the employer offered to full-time employees and coverage provided to any individual under a self-insured plan.



When Information Must Be Reported:

Information must be furnished to employees by January 31st, although the IRS grants an automatic 30-day extension that moves the deadline to early March (the exact date varies slightly each year depending on the calendar). Electronic filing with the IRS is due by March 31st. If a deadline falls on a weekend or legal holiday, it shifts to the next business day.



How the Information Is Reported:

By furnishing Form 1095-C to each employee and filing forms 1094-C and 1095-C with the IRS.



How the Information Is Used:

To administer provisions of the Employer Shared Responsibility Mandate component of the ACA, and to administer the premium tax credit individual employees may be eligible to claim on their income tax returns.

Financial Penalties for Not Reporting

An employer can be fined a penalty per return if filed after the late filing deadline of August 1. The penalty amount increases if an employer intentionally disregards their filing responsibilities.

To understand the potential financial impact on an organization, consider that fines for not filing an information return with the IRS are in addition to other fines and financial penalties associated with failing to comply with the ACA.

For current information about ACA penalties, reference: https://www.irs.gov/irm/part20/irm_20-001-007r.



Coordinating Multiple Sources of Data

There is no single data system within an organization that contains all the data to meet ACA reporting requirements. As a result, organizations have to extract data from multiple sources in order to gather all the data they will need. Typically, the sources include your payroll platform, HRIS and benefits administration platform. To help with coordinating the effort, here's a quick rundown of what each system generally does or doesn't contain.

It's important to ensure your ACA reporting partner is able to pull in the relevant data needed for accurate reporting.

Payroll Platform

Because payroll software is primarily designed to collect the data required to process paychecks and issue W-2 forms, a payroll platform will typically contain the following pieces of data needed for ACA reporting purposes:

- ✓ **Employer Identification Number (EIN)**
- ✓ **Employee pay information** such as salary, hours paid and hourly rate. Payroll software does not always include information about days of unpaid leave or hours of unpaid leave that ACA reporting requires, so employers may have to find another way to capture that data for reporting.

Human Resources Information System (HRIS)

HRIS is the system HR teams use to automate various management tasks. One of these tasks is likely capturing information about time-off requests, which makes HRIS a potentially valuable source of unpaid leave information not usually found in the payroll system. HRIS may be integrated with payroll systems or used to manage payroll data; if so, it's possible organizations will be able to get EINs, employee information, and unpaid leave information from one place. There's a remote chance the HRIS will also include benefits information.



One challenge with relying on HRIS for reporting data is larger organizations that have subsidiaries or have grown through acquisition, may be using several different systems. These systems may all be collecting different types of data, making it complex and challenging to coordinate all the information required for ACA reporting purposes.

Benefits Administration Platform

As the name suggests, this is the main source of data related to benefits, such as information on health and retirement plans, open enrollment dates and employees' coverage status. Relevant data for reporting includes:

- ✓ **Employee benefit costs**
- ✓ **Benefits offered and accepted**
- ✓ **Employer costs for benefit plans**
- ✓ **Information about tax-advantaged accounts,** such as health savings accounts (HSAs), flexible spending accounts (FSAs) and Health Reimbursement Arrangements (HRAs).

Because this source is solely dedicated to benefits information, the relevant data derived from it will have to be combined with data from the HRIS and/or payroll platform to get complete information for ACA reporting.

Dealing With Data Issues

Coordinating data from multiple systems can be challenging. Here are a few data issues we've seen companies face.

Gathering Data for Look-Back Periods

Organizations may need employment history data for employees stretching back at least a year but finding and extracting it from relevant systems can be tough. Getting data from payroll systems can be more difficult than one might imagine, and some payroll services providers charge a fee for doing this. Their clients have little choice but to pay if they don't have direct access to the payroll platform. Even so, payroll data — while necessary — won't provide the employment history detail that ACA reporting demands.

Another issue related to gathering data for look-back periods is that organizations may have to manually track data about employee leave after the fact, if they were not tracking it before. This will mean sifting through a year's worth of employee data and may require coordination between Finance and HR to establish a complete historical record.

Finding and Correlating Employee Identifying Information

Employee name, date of birth, social security number, EIN, and other types of identifying information are often kept in multiple applications and systems — and the information may not be consistent from source to source, creating an accuracy challenge. For example, an employee may be "Curt Haynes" in one system and "Curtis Haynes" in another. And if he works for an organization that operates multiple companies, he may be associated with more than one EIN. Also, the data from an HRIS or benefits administration system may not indicate which EIN or EINs he's associated with, which will make it necessary to cross-reference against payroll system data to pull together a complete profile for him.

Another wrinkle in the process of correlating employee information is that the employee's work address must be tied to his or her demographic information

in order to determine benefits affordability based on the federal poverty line affordability safe harbor. There is a different calculation applied for this safe harbor for those working in Alaska and Hawaii. Any inconsistencies in data from system to system could make confirming affordability more difficult and time-consuming.

Establishing Employment Status

Before ACA, employees were categorized as either salaried or hourly workers. Under ACA regulations, employee status must be accurately indicated as full-time, part-time, variable-hour, seasonal or retired/COBRA. To establish an employee's status, organizations must calculate the number of hours worked over a course of time and compare it against the ACA threshold of 30 hours per week for full-time work. But the ACA threshold may be different from the employer's; some organizations, for example, set the full-time threshold at 20 hours. Even within one organization — such as a college or university, which typically has a diverse mix of full-time, part-time and student staff — there may be different thresholds for different types of employees. Hire and rehire dates make up another category of information that may not have been tracked previously because it wasn't necessary to do so before ACA. These are important as a means of tracking the status of seasonal workers, interns, temporary workers and others who may become eligible for benefits over a period of time under the ACA.

Collecting Information About Dependents

To fulfill the reporting requirements of ACA, organizations who offer self-insured benefits plans must collect and report information about employees' covered dependents (including the dependents of retirees and COBRA participants). These organizations are required to make three attempts to get social security numbers of dependents. If all attempts fail, then date of birth can be substituted. Dependent information must also include the effective date for benefits.

Correctly Reporting Benefits Data

Being able to correctly report benefits data depends on having a full understanding of what's required, particularly regarding the following areas.



Organizations with Multiple EINs

It's not unusual for large organizations to operate multiple companies or other entities, each with its own EIN, and to offer different benefits packages to employees, depending on which entity employs them. For example, within a chain of hotels or resorts, the benefits offered to employees may vary from one property to the next. The larger organization must track what benefits were offered to employees by each entity, and which plans the employees accepted. It's also a common issue for companies that do mergers and acquisitions.



Key Dates for Health Benefits Plans

Plan start dates are important in ACA reporting. To fulfill ACA requirements, organizations must track when an employee became eligible for benefits, what benefits were offered, whether the benefits were accepted (including dependent coverage) and the plan start date (the date benefits became effective).



Fully-Insured or Self-Insured?

Employers that offer health benefits finance them by either purchasing health insurance from an insurance company or providing health benefits directly to employees. Employers that buy insurance from an insurance company are described as fully-insured, while those that provide benefits directly are described as self-insured. ACA requirements can be significantly different for each type of employer. For example, fully insured organizations aren't required to report on dependents; rather, the insurer is responsible providing a 1095-B form to the employee that shows actual coverage. This and other distinctions mean that the two types of organizations have different reporting requirements. Keep in mind also that in organizations with multiple EINs, there can also be a mix of fully-insured and self-insured plans even within a single EIN.

Populating Complex ACA Reporting Forms

Once employee data has been extracted from systems and organized to meet ACA requirements, the next big step is populating IRS Form 1095-C, Employer-Provided Health Insurance Offer and Coverage, which is used to report the data. The employer must fill out a separate form for each employee, file it with the IRS and provide a copy to the employee. Unfortunately, the data to fill out the form can't simply be dropped in "as is." For example, determining the correct codes to use in Part II of the form requires extensive review to assess employee eligibility. The following summarizes the requirements for each line of Part II.

Line 14: Offer of Coverage

Employers fill out this line to meet the requirement they certify by month whether full-time employees and their dependents were offered the opportunity to enroll in a health plan offering MEC.

Line 15: Employee Share of Premium

This line reports the employee share of the lowest-cost monthly premium for self-only coverage providing minimum value that the employer offered. The amount depends on a variety of factors, such as whether the employee was required to contribute towards the premium.

Line 16: Applicable Safe Harbor

Employers fill out this line to certify by month whether the employee was enrolled in coverage, or other safe harbors apply. There are specific ordering rules to follow to determine which code to use when multiple codes apply.

The Paperwork Burden Reduction Act

In December 2024, the Paperwork Burden Reduction Act (PBRA) was signed into law, introducing a meaningful change to how employers can fulfill their ACA reporting obligations. The PBRA amended sections of the Internal Revenue Code to allow an alternative method for furnishing Forms 1095-B and 1095-C to individuals, enabling employers to satisfy certain furnishing requirements through a notice-and-request approach. This change may help reduce the cost and effort of printing and mailing forms, while still ensuring employees have ready access to the information they need. These changes are effective for statements relating to calendar years after 2023, meaning they apply beginning with 2024 tax year reporting.

The Alternative Furnishing Method

Under the PBRA, employers are generally no longer required to automatically furnish Forms 1095-B and 1095-C to all recipients, provided they satisfy the applicable notice requirements. As indicated above, they can use an Alternative Furnishing Method of posting a clear, conspicuous and accessible notice on a website that informs individuals how to request a copy of their form. The IRS issued guidance on this method in Notice 2025-15, confirming that an employer who posts the required notice satisfies its obligation to furnish the statement and needs only to provide an actual copy when an individual requests one.

When an employee or former employee does request a copy, the employer must furnish it by the later of January 31 of the year following the calendar year to which the form relates, or 30 days after the date of the request. Providing prompt access to an already-generated form may satisfy the furnishing requirement, subject to applicable IRS guidance.

Notice Requirements and Key Deadlines

To use the Alternative Furnishing Method, employers must post a notice that meets specific content requirements. The notice must:

- ✓ **Inform individuals** that they may request a copy of their Form 1095-C or provide them instructions on where to access their generated form.
- ✓ **Be posted by the due date** for furnishing the statement, including the automatic 30-day extension (for example, March 3, 2025 for 2024 statements).
- ✓ **Remain accessible** on the website through October 15 of the same year.

When Paper Forms Are Still Required

The Alternative Furnishing Method offers helpful flexibility, but paper forms remain necessary in certain situations:

- ✓ **If the employer notice** is not posted by the deadline, all recipients must receive a paper form.
- ✓ **If former employees**, including retirees and COBRA enrollees, no longer have access to the website where the notice is posted.
- ✓ **If residents of California** are enrolled in self-insured plans and have not explicitly opted into electronic delivery. State law applies.

Employers should also consider where they post the notice. Posting on an internal site accessible only to active employees limits the alternative method to that group, while posting on a publicly accessible site allows the method to extend to former employees as well.

These changes reflect a broader effort to reduce administrative burden while maintaining access to important coverage information. Even as the PBRA streamlines federal reporting, employers should remain mindful of state-level requirements, which can add an additional layer of complexity.

State Individual Mandates

In January 2019, the ACA individual penalty for not having health insurance was no longer effective (due to the 2018 Tax Cuts and Jobs Act). Some concerned states thought people would stop their health insurance, thus destabilizing the marketplace. Some states have turned to state individual mandates in order to keep their healthcare marketplaces stable. When healthy individuals are required to have health insurance, it helps spread the costs so those who have chronic conditions don't end up paying so much.

To date, California, the District of Columbia, Massachusetts, New Jersey, Rhode Island and Vermont have passed state individual mandates. With each state passing its own individual mandate, it has become more difficult for companies to keep up with all the different regulations and reporting requirements. Essentially, even if you have one employee filing taxes in one of these states, your company must comply with that state's individual mandate. This means companies will not only have to be ACA complaint at the federal level, but also at the individual state levels.



To learn more about specific state requirements, see our **[Guide to State Individual Mandates Reporting](#)**.

Options for Action

Now that you have a better grasp on what's involved in meeting ACA reporting requirements, it's time to think about the steps you'll take to make sure you meet them. The following presents several choices ranging from doing everything internally to bringing in outside experts. This information is intended to give you an idea what each option will entail, so you can make an informed choice.

Handle ACA Reporting In-House

As we've just reviewed, there are multiple tasks associated with ACA reporting — collecting data from systems, managing payroll information, monitoring and tracking employee hours, filing IRS forms, printing and mailing forms to employees — and completing these tasks can require significant resources.

To be truly successful, you'll need to build a team to do it. And if you intend to draw on existing internal resources, you'll want to bear in mind two important things: 1) They may be doing work they've never done before, since ACA work is not a simple skill set, and 2) The work will take a significant amount of their time. If you decide it would be wiser to hire additional staff, that may help with the time required, but not the experience.

Regardless of the staffing choice you make, you'll need the following:

- ✓ IT professionals to collect data from multiple systems
- ✓ Payroll managers to ensure benefits affordability
- ✓ Benefits monitoring staff to track hours so they know when to offer benefits
- ✓ Tax accounting staff to create an IRS account for reporting and filing purposes
- ✓ Printing and mailing team to send new 1095-C forms to employees
- ✓ Legal counsel to clarify compliance requirements, help prepare the organization to meet them, and maintain an audit trail to prove compliance
- ✓ Process for capturing data during M&A

If all that sounds like more than your organization is ready to take on, consider looking outside for help, either from relevant vendors and consultants or an external benefits specialist.



Outsource ACA Reporting to Multiple Vendors

As we've just reviewed, there are multiple tasks. Vendors of specialized services like benefits administration and providers of payroll and HR systems may bring valuable expertise to the challenge of meeting ACA reporting requirements. But calling in several specialized vendors creates a new headache when someone in your organization has to manage them all and ensure accuracy. That can easily be a full-time responsibility for someone on your team. And multiple vendors means no one is focused exclusively on ACA and looking at ACA compliance as a whole.

Be aware that the ultimate responsibility for accurate, compliant reporting rests with your organization, not with your contracted vendors. If an audit turns up incorrect calculations or incorrect reporting, the IRS will hold you, not the vendors, accountable. Your organization, not theirs, will pay any penalties that result.

Bringing in a team of outside vendors is a costly proposition. In addition to the value of your time spent coordinating their efforts, it may be difficult to negotiate standard pricing across the various vendors.

Engage an ACA Compliance & Reporting Expert Vendor

An experienced ACA compliance partner provides a single source of data scientists, technology and services needed to coordinate an organization's ACA reporting efforts. With one entity overseeing ACA compliance, you get the benefit of a single point of contact for all reporting-related activity, without the need to coordinate multiple companies' efforts.

Look for a company that specializes in ACA compliance, has a successful history of helping organizations comply with the law and offers the following:

- ✓ **End-to-end ACA reporting solution** including fulfillment, IRS filing and penalty response.
- ✓ **Higher standard of accuracy** with software and an experienced ACA team aggregating and reviewing your data monthly.
- ✓ **Designated client manager** who proactively leads you through ACA reporting and alerts you to potential issues monthly.
- ✓ **Expedited assistance** with penalty response at no extra cost.
- ✓ **Robust dashboard** to help you easily track and review your ACA data in one place.
- ✓ **State mandate reporting** managed by an experienced team.

When it comes to ACA reporting, most organizations need some level of help. Consider engaging an ACA compliance expert you can trust to keep you on track with ACA compliance and take the burden off your team.

About Benefitfocus

Benefitfocus, a Voya Financial company, is one of the leading benefits administration companies in the industry and is committed to helping organizations and the individuals they serve get the most value out of their health care and benefit programs. On a mission to simplify benefits through exceptional service and innovative benefits administration technology, Benefitfocus helps clear the path to easier administration, higher benefits engagement and optimized benefits decisions.

Learn more about our end-to-end **Benefitfocus ACA Compliance Solution** at [Benefitfocus.com](https://www.benefitfocus.com).

To learn more about how Benefitfocus products and services can help you deliver benefits experiences that engage people to drive better health and improved outcomes, visit **Benefitfocus.com**.

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