

²⁰²⁵ ACA Palooza!

ACA 101

Understanding Your Obligations

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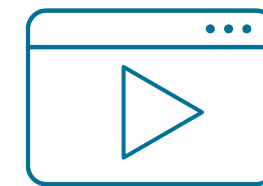
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Your ACA Subject Matter Experts Today



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Agenda

- 1 Understanding the Affordable Care Act (ACA)
- 2 The Key ACA Provisions Affecting Employers
- 3 The ACA Employer Shared Responsibility Provisions (ESRP)
- 4 Best Practices for Navigating ACA Compliance

Understanding the Affordable Care Act (ACA)

History of the Affordable Care Act (ACA)

The Patient Protection and Affordable Care Act (ACA) is signed into law.
March 23, 2010

Efforts to repeal the ACA stall in the U.S. Congress. By the end of the year, congress reduces the 'Individual Mandate' penalty to \$0.
2017

California and Rhode Island regulations take effect
2020

Individual Coverage HRAs (ICHRAs) are introduced with updated 1094 & 1095 reporting.

New ERIA & PBRA laws are enacted, adding both flexibility and new complexities, including an alternative form furnishment option.
Dec. 2024

January 1, 2015

The '**Employer Mandate**' takes effect, requiring large employers to offer affordable health coverage to full-time employees or pay a penalty. The '**Individual Mandate**' takes effect, requiring most US citizens to be enrolled in health coverage or pay a penalty.

2019

New Jersey and District of Columbia state regulations take effect.

2021

IRS eliminates all good faith effort protections for annual ACA reporting.

Today

Federal and State regulations continue to evolve.

ACA Legislation



Employer Mandate

often referred to as
“pay or play
provisions” went in
effect in 2015



Government or State exchanges

often referred to
as “the marketplace”
was created



Premium Tax Credit

is a subsidy offered
to help individuals
and families afford
healthcare from a
state marketplace
or exchange

The Key ACA Provisions

Affecting Employers

Employer Mandate: ALEs



ACA requires all **Applicable Large Employers (ALEs)** to offer affordable health insurance to their full-time workers

What is an Applicable Large Employer (ALE)?

“If an employer **has at least 50** full-time employees, including full-time equivalent employees, on average during the prior year, the employer is an ALE for the current calendar year.”

- If an employee has medical care through the military, including TRICARE or Veterans' coverage, they are not counted towards the 50-employee threshold.

What is Minimum Essential Coverage (MEC)?

Minimum Essential Coverage (MEC) is also called qualifying healthcare coverage and refers to various types of health coverage, including coverage under an eligible employer-sponsored plan.

It must be offered to **at least 95%** of their **benefit eligible** employees and their dependent children.



- **Covers essential health benefits & preventative health services**
- **Prevents annual/lifetime limits on essential health benefits**
- **Prohibits pre-existing condition exclusions and discrimination based on health status**
- **Includes dependent coverage**



What is Minimum Value (MV)?

ALEs must provide coverage meeting Minimum Value (MV).

“An employer-sponsored plan provides minimum value if it covers at least 60 percent of the total allowed cost of benefits that are expected to be incurred under the plan.”

How is Affordability Determined?



If the **employee required contribution** to enroll in **self-only coverage** for the **lowest-cost plan** offered is no more than 9.5% (as adjusted annually) of the employee's household income, then the employee was offered **affordable** coverage.

Because employers generally do not know the true household income of each employee, the IRS provides three optional affordability safe harbors that employers can use instead:

- Form W-2 wages
- Rate of Pay
- Federal Poverty Line

**Affordability %
threshold for
Tax Year 2025:**

9.02%

Who is a Benefits-Eligible Employee?

In general, an employee is considered **full-time if they work, on average, 30 hours per week**, 130 hours per month



If the employee or new hire is **reasonably expected** to work 30+ hours per week, then they and their dependents must be offered health coverage by the first day of the 4th month to avoid penalty.



Employees in variable-hour, part-time, or seasonal positions must be **measured** to determine when eligibility for health coverage begins.

Measurement Methods

What constitutes an hour of service for purposes for the ACA?



Monthly Measurement Method



Lookback Measurement Method

Generally, an hour of service means **each hour for which an employee is paid**, or entitled to payment, for the performance of duties for the employer, and each hour for which an employee is paid, or entitled to payment, for a period of time during which no duties are performed due to:

- vacation,
- holiday,
- illness,
- incapacity (incl. disability),
- layoff,
- jury duty,
- military duty,
- or leave of absence.

Monthly Measurement Method



Monthly Measurement Method

The Monthly Measurement Method requires an employer to measure hours for a month.

If the employee averages **30 hours per week (or 130 total hours a month)**, they should be offered coverage as of the first day of that **same** month.

This method should not be used to determine future eligibility.

Lookback Measurement Method



Lookback Measurement Method

Measurement Periods - between 3 and 12 months

- Initial Measurement Period (IMP) - New hires
- Standard Measurement Period (SMP) - All other employees

Admin Period - no more than 90 days

- New Hire IMP + AP cannot exceed the last day of the month after the employee's one year anniversary.

Stability Period - minimum of 6 months

- Cannot be shorter than measurement period
- Typically aligns with plan year start date (open enrollment)



What is a Break in Service?

A Break in Service is a period of time during which an employee is **not credited with any hours of service, including Payroll and Leave of Absence.**

If an employee has a qualifying Break in Service (>13 weeks for non-educational organizations or >26 weeks for educational organizations), they may be treated as a new hire, or rehire, upon resumption of service

– resetting their benefit eligibility.

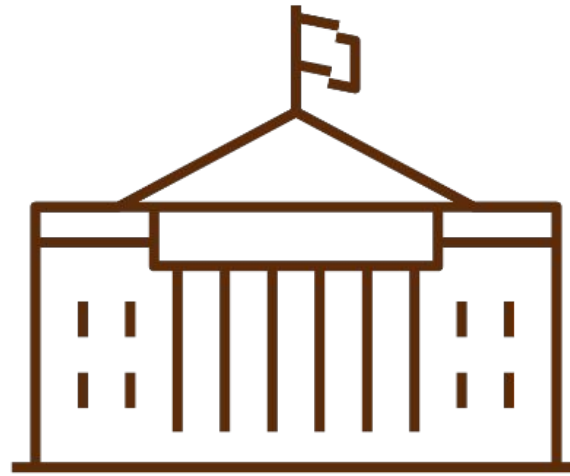
The ACA Employer Shared Responsibility Provisions (ESRP)

Employer Mandate: Reporting Requirements



**Employee &
Dependents:**

Form 1095-C



IRS:

Form 1094-C &
Form 1095-C



Some
**individual
states** have
their own
requirements

Reporting Requirements: Employees

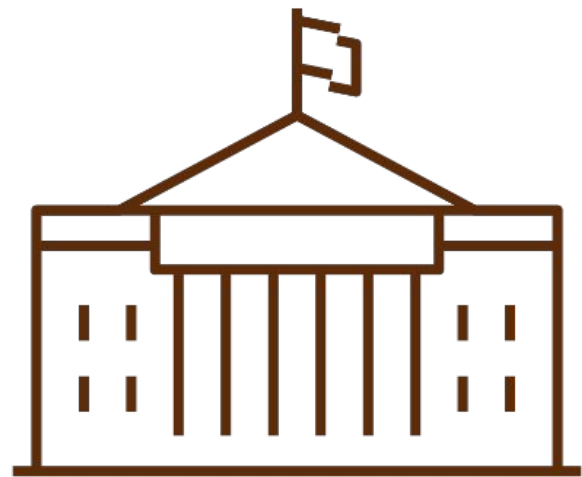
Beginning in 2016, an ALE had to provide a Form 1095-C to **each employee who was a full-time employee for any month of the calendar year**, based on either the monthly or look-back measurement methods. **Employers offering self-insured coverage also had to provide forms to all enrollees** in the plan, regardless of full-time status.

With the **PBRA enacted into law in December of 2024**, employers must decide whether they will still continue to proactively distribute forms by IRS deadlines, or adhere to the Alternative Method of Furnishment requirements.

The original January 31 deadline to provide forms to employees has been permanently extended by 30 days (**generally March 2nd**, unless it is a leap year or the deadline falls on a weekend or holiday).



Reporting Requirements: IRS



ALEs are required to send a form **1094-C** to the IRS. The 1094-C form serves as a cover letter and summary when reporting the offered coverage to employees.

- Employers also include all 1095-C forms
- Electronic filing is due by March 31st each year, February 28th if filing on paper; check IRS website for more information

Reporting Requirements: States



CALIFORNIA

Furnishment:
January 31

Filing:
March 31

*Note: no penalty issued if filed
by extended deadline of 5/31*



MASSACHUSETTS

Furnishment:
January 31

Filing:
January 31



RHODE ISLAND

Furnishment:
March 2

Filing:
March 31



NEW JERSEY

Furnishment:
March 2

Filing:
March 31



DISTRICT OF COLUMBIA

Furnishment:
March 2

Filing:
April 30

IMPORTANT REMINDERS:

- State healthcare reporting requirements are based on where employees LIVE, or with the District of Columbia (D.C.) where they live OR work.
- Both full and partial year residents of each state must be included in state healthcare reporting.

Understanding ACA Penalties

2025 updated penalty amounts:

Penalty A: \$241.67 per month per full-time employee (\$2,900 per year)

Penalty B: \$362.50 per month per full-time employee (\$4,350 per year)

2025 updated affordability threshold:

9.02%

August 2023:

First IRS 226-J Penalty letters from the 2021 tax year

What could this mean?

- Increased penalty risks for non-compliance
- No 'Good Faith' leniency for inaccurate data in IRS 226-J letter responses
- Significant decrease in the affordability threshold = increased risks of Penalty B assessments - **plan ahead during Open Enrollment!**
- Sample 2025 penalty assessments:
 - Penalty A: for a company with 10,000 full-time employees, this could cost up to **\$2.4M* per month**
 - Penalty B: for a company with 10,000 full-time employees, estimating a 2% non-compliance rate, this could cost up to **\$72,500* per month**

**Estimated. Depending on FTE counts and ACA regulations, penalty assessments may vary*

Penalties for Inaccurate or Late Forms

FEDERAL PENALTIES:

Failure to distribute accurate forms to employees on time (§6722):

- Between 1-30 days late: **\$60 per form**
- Between 31 days late - Aug. 1: **\$130 per form**
- After Aug. 1: **\$340 per form**
- If due to “intentional disregard”: **\$680 per form**

FEDERAL PENALTIES:

Failure to file accurate forms to the IRS on time (§6721):

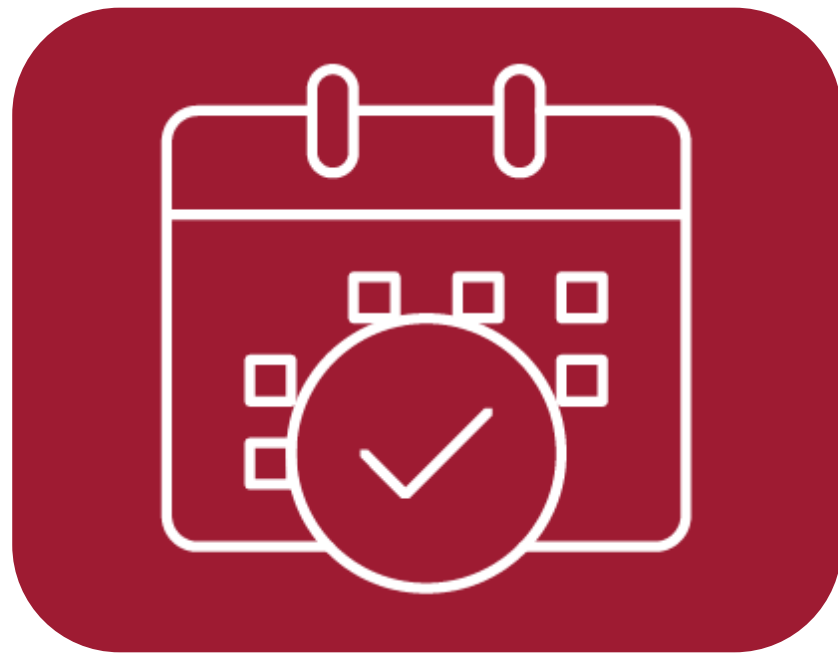
- Between 1-30 days late: **\$60 per form**
- Between 31 days late - Aug. 1: **\$130 per form**
- After Aug. 1: **\$340 per form**
- If due to “intentional disregard”: **\$680 per form**

STATE PENALTIES:

- **California**: \$50 per covered individual not filed on time to the state’s Franchise Tax Board
- **Massachusetts**: \$50 per form up to a maximum of \$50,000 for forms not distributed on time to employees or filed on time to the state’s Department of Revenue
- **New Jersey**: \$50 per form
- **Rhode Island**: Reviewed on a case-by-case basis and addressed as facts & circumstances warrant

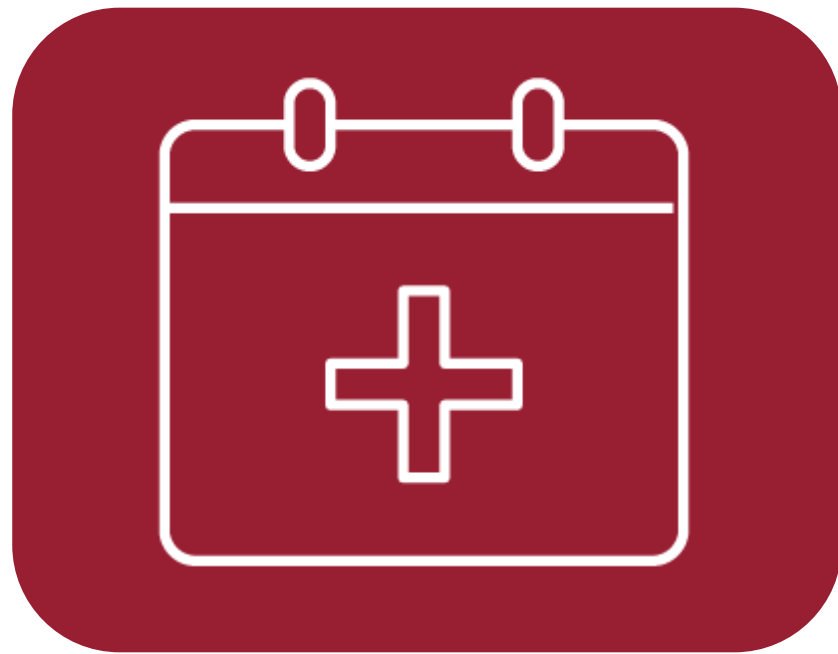
Best Practices for Navigating ACA Compliance

Proactive Monthly Activities



- Eligibility monitoring
- Penalties A & B risk analysis
- Data quality reviews
(HR, payroll, benefits, LOA)

Annual Open Enrollment Season



- Eligibility monitoring
- Affordability strategies for new benefits plan year
- Annual required notices to employees

(example: Summaries of Benefits & Coverage, etc.)

Year-End Reporting Season



- ***NEW*** - Plan ahead for Paperwork Burden Reduction Act (PBRA) options & requirements
- Calculate & validate accurate Forms 1094-C & 1095-C

NOTE: Pay close attention to Lines 14 & 16 codes for possible exposure to A & B penalty risks!

- Distribute forms to employees on time
- File to the IRS on time
- File to the state agencies on time
- Correct form errors / resolve any filing rejections

Ongoing



- Have a strategy for staying up to date on compliance & regulatory changes
- Subscribe to our newsletter for updates: workforce.equifax.com/insights
- Partner with a vendor to take the burden of managing and monitoring ACA regulations
- Need to inspect past year filings?
We can help.

Potential Penalty Calculator


With increasing penalty risks and IRS scrutiny, plan ahead for your organization's potential Penalty A and B exposure

workforce.equifax.com/aca-calculator

ACA Potential Penalty Calculator

Help stay on top of the ACA with best-in-class technology, ACA focused expertise and personalized support. Our team is here to assist you with your ACA reporting and help you reduce your exposure to penalties

Calculate ACA Potential Penalty Risk



Home / ACA Calculator

ACA POTENTIAL PENALTY CALCULATOR

Help determine an estimate of your potential **2022 ACA Penalty Risk** for not offering health insurance coverage, or offering coverage that is not affordable or minimum value, to your ACA full time employees

How many ACA full time employees do you have?

How many ACA full time employees did you offer minimum essential coverage to?

How many of those offers of coverage were not affordable and/or met minimum value?

\$13,667,500

The following is your potential ACA penalty risk, should you not be offering medical coverage to 95% of your FTE employees:

90%

Calculated 'Minimum Essential Coverage' Percentage*

Calculate 2023

*Potential penalties are only an estimate, and this estimate does not guarantee that this amount or any amount of ACA penalties will actually be incurred.

How Equifax Can Help

ACA HQ is the full-service headquarters built for organizations of all sizes that helps you with your ACA compliance and Forms 1095 & 1094 reporting helps you meet the core ACA requirements and more.

MEASURES ELIGIBILITY AND AFFORDABILITY

Automated look back or monthly measurement

Calculates affordability and optimal safe harbor for each employee population

Alerts and analytics

SUPPORTS COMMON DATA SCENARIOS

Flexible data rules

Multiple ALEs

Non-employees

Mergers and acquisition

BUILT FOR IRS AUDITS AND RESPONSE

Tracks approval and submissions

Creates audit trail

Simplifies and speeds your IRS response



We don't let anything get in our way when helping our clients manage the ACA.

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Q&A

Next Steps

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