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INFOSHEET

How to Keep Your C-Suite Informed on ACA Risk

Life in HR can be challenging and that's putting it lightly. Managing the on-and off-boarding of employees, supporting perks and wellness initiatives and ensuring compensation equity can all be taxing. But it's the management of ACA employer mandate responsibilities that has many HR professionals feeling extra pressure.

Simply put, the stakes are higher now, the costs for failure greater and maintaining compliance with Affordable Care Act (ACA) regulations is something HR professionals cannot afford to face alone. Support from the C-suite is necessary, and it all starts with a conversation.

The advent of real penalties

Under the mandate, employers with over 50 full-time and full-time equivalent employees are required to offer healthcare coverage to 95 percent of their full-time employees. Some companies, however, have not met these guidelines or did not fill out their IRS forms correctly.

The penalties for failing to do so can be significant. As demonstrated by the infographic on the next page, you can see how quickly penalties can climb. Yet while HR professionals are well aware of these ramifications, many C-suite executives are not. If this is true in your company, the following strategies can help you have this important conversation with your C-suite.

Showing your C-Suite the numbers

Good faith alone will not eliminate your company's penalty risk or prevent a full IRS audit. Instead, failing to comply makes receiving an assessment a real possibility.

When you talk to your C-suite executives, show them the numbers that dictate the situation for 2023.

The ACA's Employer Mandate applies to ALEs, or employers with 50 or more full-time and full-time equivalent employees -

- Minimal Essential Coverage must be offered to at least 95% of their full-time employees and their dependents whereby such coverage meets Minimum Value, and
- Ensure that the coverage for full-time employees is affordable based on one of the IRS-approved methods for calculating affordability. Failing to satisfy these requirements can result in organizations receiving steep penalty assessments from the IRS.

4980H(a) penalty

- The 2023 4980H(a) penalty is $240, or $2,880 annually, per employee. The IRS issues a 4980H(a) penalty when:
- An employer doesn't offer Minimum Essential Coverage to at least 95% of its full-time employees (and their dependents) for any month during the tax year, and
- At least one full-time employee receives a Premium Tax Credit (PTC) for purchasing coverage through a state or federal ACA marketplace
- If an organization in 2023 has 300 full-time employees, and one of these employees receives a PTC for 12 months, the penalty would be $777,600. Note: The per-employee penalty applies across all 300 full-time employees, minus 30, even if only one employee receives a PTC.

Showing your C-suite the options

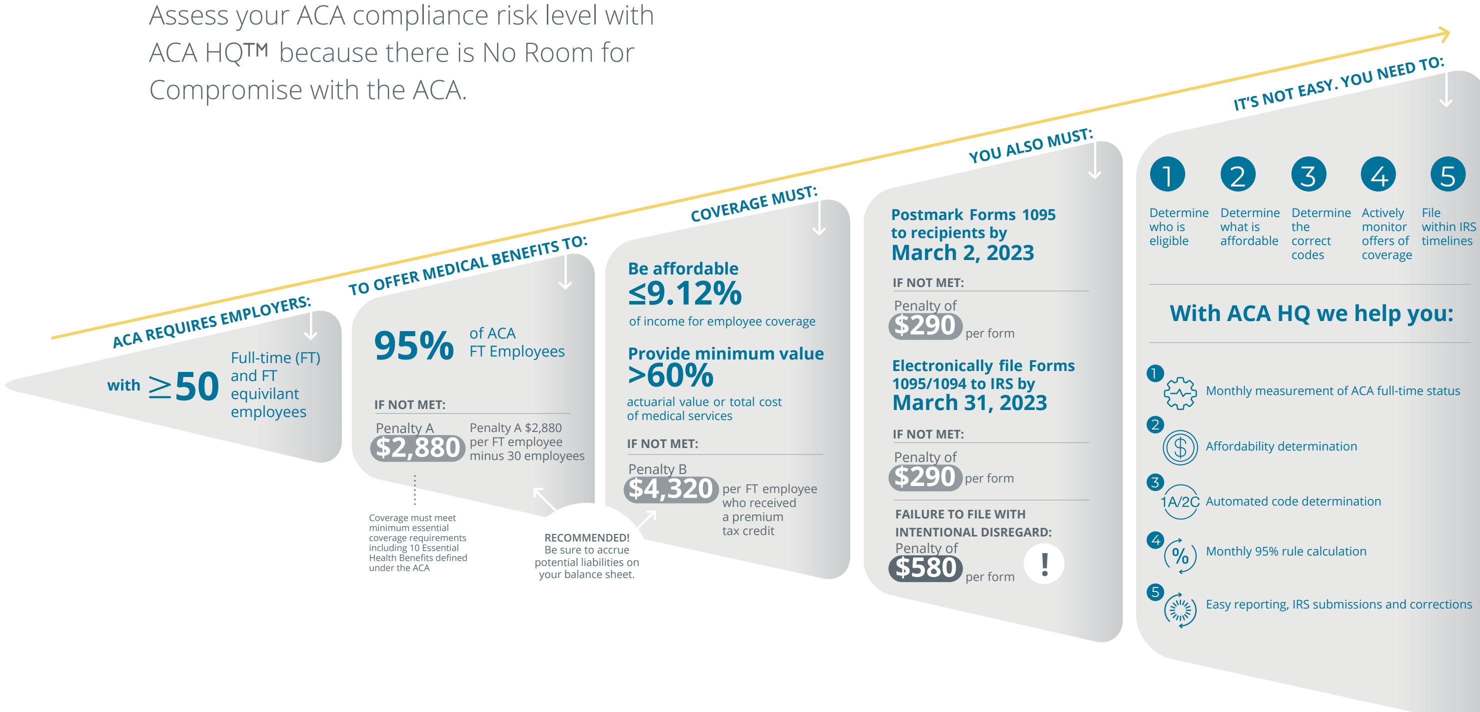
Once your executives realize the potential risk, lay out your initiatives to remain compliant, and reinforce the importance of an automated ACA solution that supports
helping you:

- Manage ACA eligibility, so you know when and to whom to make an offer of coverage.
- Fulfill state individual mandate employer reporting for all states with reporting requirements.
- Explore safe harbor options to determine the most cost-effective household income and affordability thresholds under Federal Poverty Line, Rate of Pay and W2.
- Determine "Offer of Coverage" codes to eliminate manual code entry.

Assess your ACA compliance risk level with ACA HQ™ because there is No Room for Compromise with the ACA.

4980H(b) penalty

- For the 2023 tax year, the 4980H(b) penalty is $360 a month, or $4,320 per year, per employee. Unlike 4980H(a), the IRS issues a 4980H(b) on a per-violation basis. In other words, the penalty is assessed for every employee that does not receive an acceptable offer of coverage.
- The IRS issues a 4980H(b) penalty when an employer offers its full-time employees coverage that was either:
- Unaffordable, not Minimum Value, or both - and,
- Had one of the employees receive a PTC from a state or federal health exchange
- This penalty is assessed on a monthly basis for every full-time employee.



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Penalties source: https://www.irs.gov/payments/information-return-penalties

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