



Benefits & Retirement

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Disclaimer: *This presentation is intended for educational purposes only. Please contact your tax and legal advisors regarding situations specific to your district.*



Contents

Mandates on Healthcare Spending
& Offerings for Michigan Public Schools

Upper Bound

Michigan PA-152

Lower Bound

- The Affordable Care Act
 - Requirements of Applicable Large Employers
 - Tracking & Measurements
 - Minimum Coverage Requirements
 - Enforcement – Pay or Play
 - Reporting





What is PA 152

- Publicly Funded Health Insurance Contraction Act
- Hard cap on total spending towards employee health plans by public institutions
- Maximum amount the employer can spend

- Passed by Michigan state legislator in 2011 and signed into law by Rick Snyder with the intention of limiting the amount of public spending on employee health plans



PA 152

Hard Cap

The default option is a monetary “hard” cap based on the employee’s marital and family status

Employees would pick level of coverage and pay the difference if insurance exceeded the “hard cap”

2023 Caps

1.3% increase over 2022

- > 1P: \$7,399.47
- > 2P: \$15,474.60
- > FF: \$20,180.43

2024 Caps

4.1% increase over 2023

- > 1P: \$7,702.85
- > 2P: \$16,109.06
- > FF: \$21,007.83





PA 152

80/20

- > An employer shall not pay more than 80% of the total costs of all medical benefit plans it offers or contributes to for its employees
- > There are specific benefit inclusions and exclusions in the formula
- > Seek legal counsel or tax advice if utilizing the 80/20 split method



226J Letter Received

\$1,715,220.00



Department of Treasury
Internal Revenue Service
1973 North Rulon White Boulevard
Ogden, UT 84201-0062

Dear Employer,

We have made a preliminary calculation of the Employer Shared Responsibility Payment (ESRP) that you owe.

Proposed ESRP	\$1,715,220.00
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Our records show that you filed one or more Forms 1095-C, Employer-Provided Health Insurance Offer and Coverage, and one or more Forms 1094-C, Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns, with the IRS. Our records also show that for one or more months of the year at least one of the full-time employees you identified on Form 1095-C was allowed the premium tax credit (PTC) on his or her individual income tax return filed with the IRS. Based on this information, we are proposing that you owe an ESRP for one or more months of the year.

You generally owe an ESRP for a month if either:

- You did not offer minimum essential coverage (MEC) to at least 95% of your full-time employees (and their dependents) and at least one of your full-time employees was certified as being allowed the PTC; or

Date:

12/18/2018

Tax year:

2016

Employer ID number:

Contact Name:

4980H Response Unit

Contact ID number:

L226J

Contact telephone number:

877-571-4712

Contact e-fax number:

877-792-2723

Response date:

1/17/2019

Letter 226-J (Rev. 1-2018)
Catalog Number 67905G

What is the

Affordable Care Act (ACA)



- Passed by the 111th US congress and signed into law by President Obama on March 23, 2010
- The purpose of the ACA was to reduce the number of uninsured Americans
- The ACA is designed to encourage employers to offer coverage to their employees by assessing fines to employers who don't offer coverage under certain circumstances



How to ensure ACA Compliance

Employer Responsibilities

- Tracking & employee measurement
- Identifying full time employees who must be offered coverage
- Medical coverage minimum requirements
 - Determine what kind of medical coverage should be offered
- Pay-or-play penalties
 - What happens if requirements aren't met?



ACA Eligibility & Measurements

Employee Status

The ACA requires employees to designate all employees as one of the four types:



Full-Time

Employee is expected to work more than 30 hours per week on an ongoing basis – must be offered coverage by 1st day of 4th calendar month following hire

(Teachers, administrators)



Part-Time

Employee is expected to work less than 30 hours per week on an ongoing basis

(Food service, paraprofessional)



Seasonal

Employee is customarily expected to work for 6 months or less

(Coaches)



Variable

Cannot be determined whether employee will work more than 30 hours

(Food service, paraprofessional)

ACA Eligibility & Measurements

Measurement Methods for Identifying Full-Time Employees

The **monthly measurement method** determines full-time status for each calendar month based on the employee's hours of service in that month

- Advantage: simplified calculations; straight forward administration
- Disadvantage: does not allow for forward-looking eligibility determinations which could lead to unexpected penalties if part-time employees aren't offered plans according to minimum coverage requirements



ACA Eligibility & Measurements

Measurement Methods for Identifying Full-Time Employees

The **lookback measurement method** allows for more consistency and predictability of eligibility month-to-month

- > **Measurement period** (MP): 6-12 month past period of time during which an employee's working hours are tracked and measured
- > **Administrative period** (AP): 6-90 day period of time to complete calculations and offer coverage
- > **Stability period** (SP)*: up to 12 month period of time during which employee's eligibility does not change
- > **Initial measurement period**: an employee's first lookback measurement, initiated after hire
- > **Standard measurement period**: a defined schedule by which ongoing employees are measured, usually aligned with open enrollment

**Length must match the length of the measurement period*



ACA Eligibility & Measurements

Measurement Methods for Identifying Full-Time Employees

Employees hours are tracked and measured for the entire **measurement period**, then, if they measure greater than 30 hours per week, the employer can offer coverage to them during the **administrative period** and they will be eligible for the entirety of the **stability period**

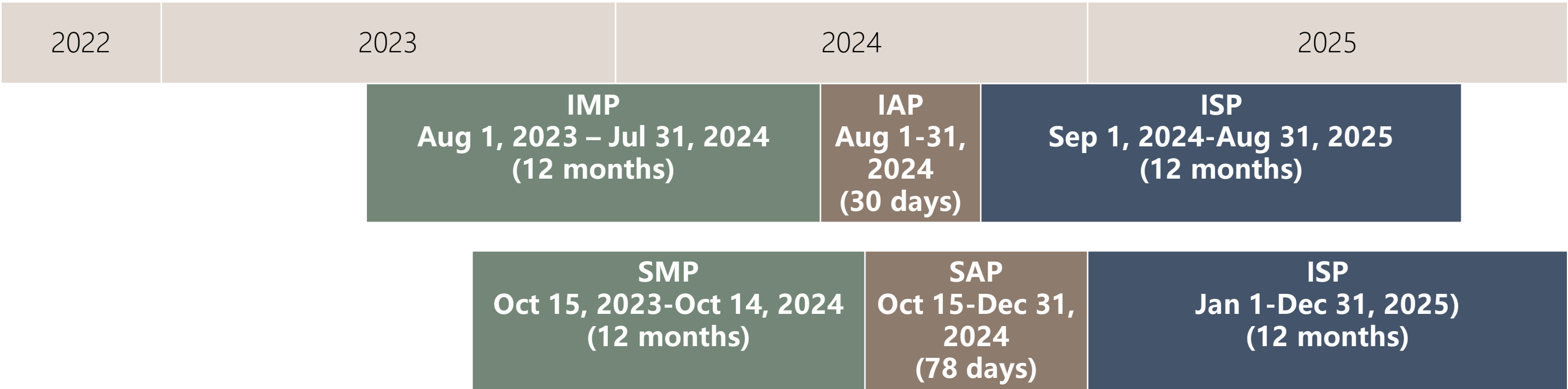
- Advantages
 - Gives employer advanced notice before the period of eligibility begins
 - Makes eligibility and ACA compliance more consistent month-to-month
 - Changes in eligibility can be set to coincide with the medical plan year
- Disadvantage
 - The entire measurement and stability period can last over 2 years, so current eligibility may not align with current working hours or job title



ACA Eligibility & Measurements



Example of IMP, IAP, ISP transition to SMP
New hired employee who started on 7/28/23 (PT, V, S)



ACA Eligibility & Measurements



Example of Ongoing, SMP, SAP, and SSP
New hired employee who started on 7/28/23 (PT, V, S)

2021	2022		2023	2024
SMP Oct 15, 2021-Oct 14, 2022 (12 months)		SAP Oct 15-Dec 31, 2022 (78 days)	ISP Jan 1-Dec 31, 2023 (12 months)	
		SMP Oct 15, 2022-Oct 14, 2023 (12 months)	SAP Oct 15-Dec 31, 2023 (78 days)	ISP Jan 1-Dec 31, 2024) (12 months)



ACA Eligibility & Measurements

Keep record of employees' hours of service

Account for:

- > All employees' payroll hours
- > Hourly employees – time sheets for hourly employees
- > Salary employees – ORS hour equivalency rates
- > Bona-fide volunteers – hours that an employee is available to the employer
- > Student workers, unless a federal work-study student
- > Board members

Time to Include:

- > Vacation
- > Holiday
- > Personal time
- > Hours worked



TIME SHEET

Start Time	End Time	Regular Hrs.	Ov
8.00	17.00	8	
8.00	17.00	8	
8.00	18.00	8	



ACA Eligibility & Measurements

Tracking Eligibility Month-to-Month

New Hires/Rehires/Retirees

- Track payroll hours for eligibility
 - Full time – offer coverage no later than the 1st day of the 4th calendar month following hire
 - Former employees who have not been inactive for fewer than 26 weeks could have eligibility impacted by previous hours worked
 - Rehired employees that are still considered full-time should be offered benefits on rehire date

Ongoing Employees

- Track payroll hours in measurement periods
- Offer coverage effective for the entire stability period to avoid penalties



ACA Eligibility & Measurements



Special Requirements for Measurement Periods



Educational Breaks

- Employers that are educational institutions cannot penalize employees for not working during an educational break period
 - Modifications must be made to measurements to account for summer breaks

Qualified Leave of Absences

- Cannot penalize employees for time away from work due to:
 - FMLA
 - Military leave
 - Jury duty



ACA Eligibility & Measurements

Measurement Implications for Returning Employees

Rehire Rule

- Rehired employees maintain their eligibility and measurement status from their previous employment if their period of absence was less than 26 weeks long
- PA 184 of 2022 implements a 9-month waiting period between when employees retire and can start working again without forfeiting their pension and health benefits in months they work, which should ease the burden of monitoring ACA compliance for retirees



ACA Eligibility & Measurements

Classification Changes

Full-time reclassification to part-time

- ACA eligible employees must be offered benefits for the complete stability period
 - COBRA offers can sometimes be used to show an employer offered coverage throughout an employee's reclassification
 - See affordability implications in the minimum requirements section
- Retirees that are re-hired to the district
 - Rehires/retirees returning to work in a full-time stability period are eligible and should be offered coverage



ACA Terms

Minimum Requirements of Medical Coverage



Minimum Essential Coverage

A health plan that meets IRS-defined minimum benefits such as covering primary care visits at \$0 cost and allows for dependents to enroll



Minimum Value

A health plan that covers 60% of expected medical expenses for a standard population and includes substantial coverage of physician and inpatient hospital services



Affordability

Whether the monthly cost to enroll in the plan exceeds 9.21%* of an employee's monthly household income

W-2 – box 1 amount per month
Rate of pay
Federal poverty level
\$103.28 max monthly premium
*(9.21 * 13,590 FPL/12)*

ACA Minimum Requirements of Medical Coverage



Two-Tiered System of Employer Responsibility



- Any employee considered full-time who enrolls in marketplace coverage and receives the premium tax credit (PRT) will trigger a penalty assessment
- The assessment will award a fine based on the employer's compliance with two requirements:
 - Offering minimum essential coverage (MEC) to at least 95% or all but 5 on an employer's full-time population – **4890H(A)**
 - Offering MEC to all full-time employees that meets both the minimum value and affordability standards – **4890H(B)**
- An employer can only ever receive one of the two fines in a given tax year
- Fines are assessed in each month of non-compliance



ACA Minimum Requirements of Medical Coverage

4890H(A) Penalty

- Larger of the two fines
- \$2,880* per employee-per year with 30 employee exemption
- The most severe \$2,880* annual assessment on every employee is based on whether employees were offered minimum essential coverage (MEC)
- Example: Employer with 100 total full-time employees only offers coverage to 94 of them. One of the 6 employees not offered coverage received a marketplace subsidy.

Penalty: $(100-30) * \$240 \text{ per month} * 12 \text{ months} = \$201,600$

**indexed*

ACA Minimum Requirements of Medical Coverage

4890H(B) Employer Mandate – Safe Harbor Rules



- The \$4,320* assessment per subsidy-qualifying employee is based on whether the offer of coverage meets three criteria:
 - Minimum essential coverage must be offered
 - It must be “affordable” meaning that it can't cost the employee more than 9.12%* (2023) of their household income
 - It must meet or exceed “minimum value” meaning that it must pay for at least 60% of an average person's average annual medical expenses
- Example: Employer has 6 full-time employees not offered affordable coverage. Two of the six get a marketplace subsidy, one for the entire year, the other for six months.

Penalty: 18 total months * \$360 per month = \$6,480

**indexed*



Tax Filing Year	2023
4980H(A) Penalty	
Annual Amount	\$2,880
Monthly Amount	\$240
Required Med Offer % of Full-Time Population	95%
Full-Time Exemption	30
4980H(B) Penalty	
Annual Amount	\$4,320
Monthly Amount	\$360
Affordability Safe Harbor %	9.12%
Applicable 100%FPL	\$13,590
FPL Affordability Annual Amount	\$1,239.41
FPL Affordability Monthly Amount	\$103.28
Employer assessments would only be imposed if at least one employee seeks and receives a marketplace subsidy	

ACA Compliance Strategy

Assessment Strategy

- > Most employers who offer an employee health plan will work to ensure they avoid the \$2,880 on every employee
- > Some employers may be comfortable with the \$4,320 assessment potentially applying to the marketplace-subsidized employees
 - > Often more cost effective than offering coverage
 - > Can be more favorable to employees as they remain eligible for federal subsidies
- > Structure labor contracts to allow for flexibility to offer MEC to all full-time employees (even if unaffordable or if below minimum value) to avoid A-penalty risk





120118

Form **1094-C**

Department of the Treasury
Internal Revenue Service

**Transmittal of Employer-Provided Health Insurance Offer and
Coverage Information Returns**

► Go to www.irs.gov/Form1094C for instructions and the latest information.

☐ CORRECTED

OMB No. 1545-2251

2021

Part I Applicable Large Employer Member (ALE Member)

1 Name of ALE Member (Employer)		2 Employer identification number (EIN)	
3 Street address (including room or suite no.)			
4 City or town		5 State or province	6 Country and ZIP or foreign postal code
7 Name of person to contact		8 Contact telephone number	
9 Name of Designated Government Entity (only if applicable)		10 Employer identification number (EIN)	
11 Street address (including room or suite no.)			
12 City or town		13 State or province	14 Country and ZIP or foreign postal code
15 Name of person to contact		16 Contact telephone number	
17 Reserved <input type="checkbox"/>			

For Official Use Only



18 Total number of Forms 1095-C submitted with this transmittal ►

19 Is this the authoritative transmittal for this ALE Member? If "Yes," check the box and continue. If "No," see instructions ☐

Part II ALE Member Information

20 Total number of Forms 1095-C filed by and/or on behalf of ALE Member ►

21 Is ALE Member a member of an Aggregated ALE Group? ☐ Yes ☐ No

If "No," do not complete Part IV.

22 Certifications of Eligibility (select all that apply):

☐ A. Qualifying Offer Method ☐ B. Reserved ☐ C. Reserved ☐ D. 98% Offer Method

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and to the best of my knowledge and belief, they are true, correct, and complete.

► Signature Title Date

Part III ALE Member Information – Monthly

	(a) Minimum Essential Coverage Offer Indicator		(b) Section 4980H Full-Time Employee Count for ALE Member	(c) Total Employee Count for ALE Member	(d) Aggregated Group Indicator	(e) Reserved
	Yes	No				
23 All 12 Months	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
24 Jan	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
25 Feb	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
26 Mar	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
27 Apr	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
28 May	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
29 June	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
30 July	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
31 Aug	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
32 Sept	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
33 Oct	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
34 Nov	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
35 Dec	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	



Employer-Provided Health Insurance Offer and Coverage

▶ Do not attach to your tax return. Keep for your records.

▶ Go to www.irs.gov/Form1095C for instructions and the latest information.☐ VOID☐ CORRECTED

OMB No. 1545-2251

2021**Part I Employee****Applicable Large Employer Member (Employer)**

1 Name of employee (first name, middle initial, last name)		2 Social security number (SSN)		7 Name of employer		8 Employer identification number (EIN)	
3 Street address (including apartment no.)				9 Street address (including room or suite no.)		10 Contact telephone number	
4 City or town	5 State or province	6 Country and ZIP or foreign postal code		11 City or town	12 State or province	13 Country and ZIP or foreign postal code	

Part II Employee Offer of Coverage**Employee's Age on January 1****Plan Start Month** (enter 2-digit number):

	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)													
15 Employee Required Contribution (see instructions)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
16 Section 4980H Safe Harbor and Other Relief (enter code, if applicable)													
17 ZIP Code													

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 60705M

Form **1095-C** (2021)**Part III Covered Individuals**If Employer provided self-insured coverage, check the box and enter the information for each individual enrolled in coverage, including the employee. ☐

	(a) Name of covered individual(s) First name, middle initial, last name	(b) SSN or other TIN	(c) DOB (if SSN or other TIN is not available)	(d) Covered all 12 months	(e) Months of coverage											
					Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
18				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
30				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>





ACA Reporting Requirements

Fully-Insured vs. Self-Funded Reporting

The reporting requirements vary based on the type of health plan the district offers

Fully-Insured

- All employees who are considered full-time for at least one month must receive a form

Self-Funded

- Any employee covered on the plan must receive a form
- All dependents enrolled must be reported by month of enrollment



ACA Enforcement Action

Notifications



HHS

- Marketplace Subsidy Notice

IRS

- 226J Letter – ESRP assessment
- 5699 Letter – Failure to file

ACA ESRP Letters

IRS 226J Letter

Letter 226-J is the initial notification to large employers of a potential employer share responsibility payment

- 30 days to respond (30-day extension available)
- Gather documents for appeal process
 - 1094-C and 1095-C forms
 - Offer letter/open enrollment notice
 - Plan documents
 - Pay and hours records – measurement reports
 - Waiver form
- Seek counsel or guidance from ACA administrator



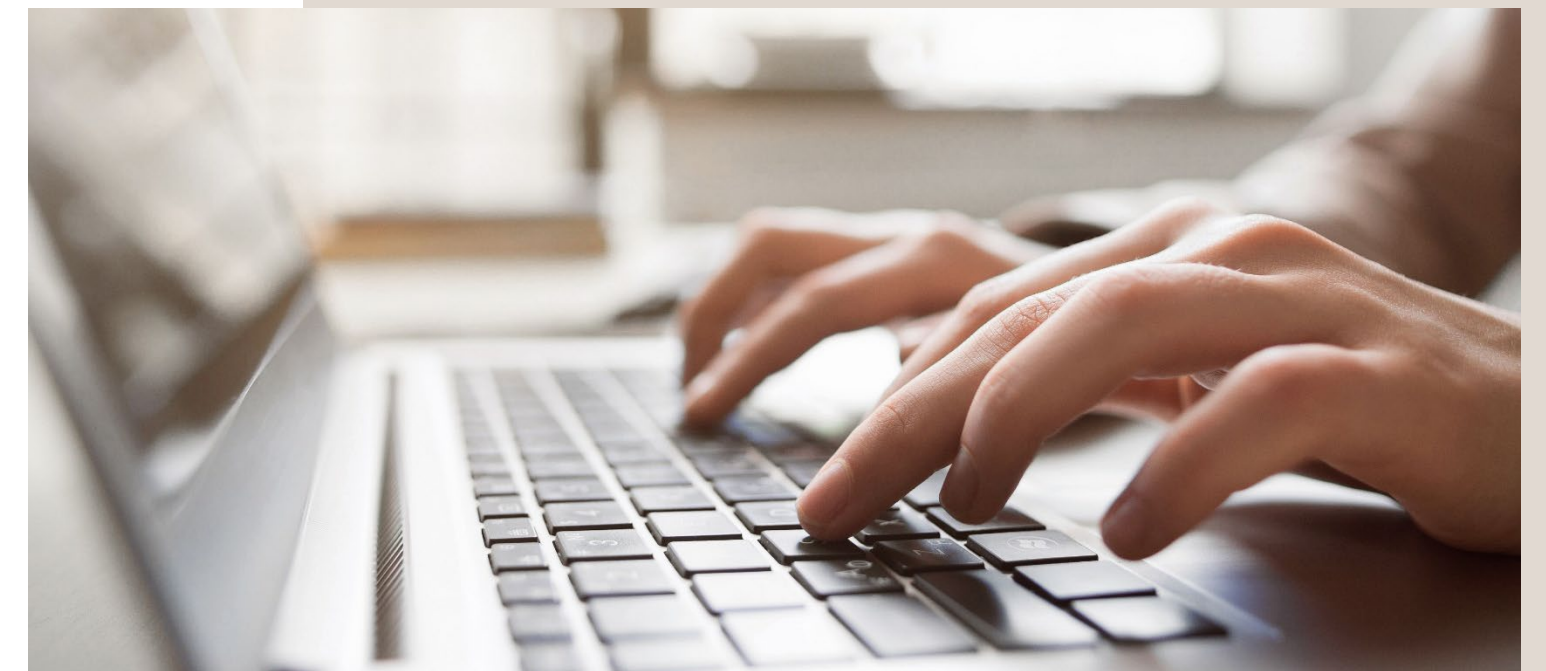
ACA Documentation

Important Record Keeping Information

Keep records in a secure place

- > Records showing steps taken to comply with ACA requirements, such as plan participation data and communications to employees
- > Records of procedures or plan amendments adopted for ACA compliance
- > Measurement policies
- > Tracking data/proof of regulations applied
- > Copies of notices provided
- > Hours-of-service data

Lack of Statute of Limitations and lack of Caselaw add uncertainty to enforcement



ACA Deadlines

IRS Form Mailing & Filing Dates



- > Mail 1095-C forms to your employees by 3/2
- > Paper file 1094-C and 1095-C forms with the IRS by 2/28
- > Electronical file 1094-C and 1095-C forms with the IRS by 3/31



Beginning in 2024, the IRS will require all ALEs to file their 1095-C forms electronically (e-file)

Failure to File Notice

Schools have begun receiving IRS correspondence regarding missing forms. Here are our most notable findings:

- This penalty is larger for employer shared responsibility payments
- Good faith only applies for years in which it was available and where forms were submitted on time
- Working with the IRS to demonstrate willingness to comply is critical
- Forms that were not received within the allotted time will result in additional enforcement efforts by the IRS like assigning an examiner who will institute a penalty case

Letter 5699

The initial notice from the IRS indicating a failure to file required ACA information returns that requires a response within 30 days. Employers may use one of the following responses/defenses:

- Forms were filed under a different EIN
- Employer did not, but should have, filed forms
 - Include physical copies if not required to file electronically (250 forms)
 - Indicate when electronic forms will be provided
- Employer was not an ALE
- Other reasons for not filing



Contact Us



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Thank You!

