Understanding ACA Codes

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The information contained in this document is intended as a guide and is not tax or legal advice. If you have questions, please contact your tax preparer or other trusted advisor when filing forms with the IRS.

The Form

Below is Form 1095-C from the IRS website. This guide will explain the form and help you determine the proper codes for the fields in Part II.

Parts I and III are comprised of lines 1-13 and 18-30, respectively. These sections are employee information and other covered individuals (if the employer-provided self-insured coverage).

Part II is made up of lines 14-17. This section uses two sets of codes released by the IRS to help employers have consistency when detailing the medical benefits they present to their employees. The codes are used to describe various coverages, offers and other helpful explanations to avoid penalties each month for the employee on the form.

Additionally, the most recent 1095-C now requires specific codes for employers offering individual coverage health reimbursement agreements (ICHRA), so you will see additional codes referenced here that you may have been previously unfamiliar with.

Here is a brief overview of ICHRA so you can determine if these codes apply to your organization:

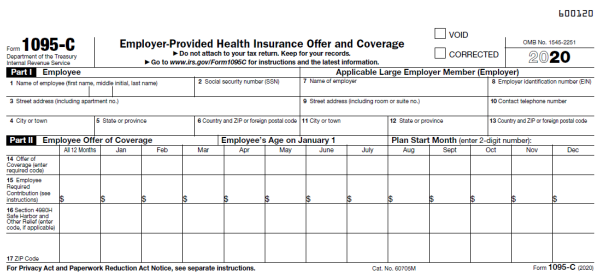
What is Individual Coverage Health Reimbursement Arrangement (ICHRA)?

- An HRA is a type of account-based health plan that employers can use to reimburse employees for their medical care expenses
- An ICHRA is an HRA integrated with individual health insurance coverage or Medicare

o Requires employees and any covered dependents to be enrolled in individual health insurance coverage or Medicare in order to receive reimbursements for medical care expenses, including premiums

How does an ICHRA work?

- Employer sets an allowance amount for employees
- Employee buys health insurance policy
- Employee submits proof of purchase of medical expense
- Employer reimburses employee



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Form **1095-C** — Department of the Treasury, Internal Revenue Service

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

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Part I Employee

1 Name of employee (first name, middle initial, last name)	2 Social security number (SSN)
3 Street address (including apartment no.)	
4 City or town	5 State or province
6 Country and ZIP or foreign postal code	

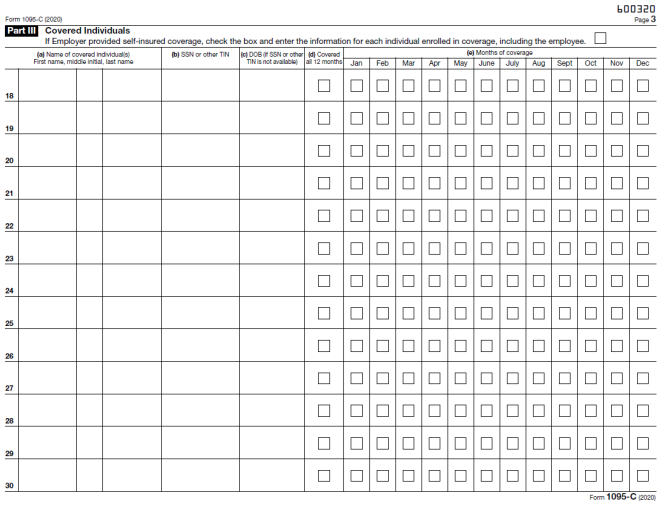
Applicable Large Employer Member (Employer)

7 Name of employer	8 Employer identification number (EIN)
9 Street address (including room or suite no.)	10 Contact telephone number
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** (2020)



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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				☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
19				☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
20				☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
21				☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
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24				☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
25				☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
26				☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
27				☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
28				☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
29				☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
30				☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

Form **1095-C** (2020)

Part II

Line 14 – Offer of Coverage

Line 14 specifies the type of coverage, if any, offered to an employee, spouse and dependents. The code must indicate the coverage the employee was offered; however, it may not match the coverage in which the employee is actually enrolled. For example, if an employee is offered family coverage but enrolls in employee-only coverage, Line 14 must indicate that the employee was offered family coverage. A code must be entered for each calendar month even if the employee was not a full-time employee for one or more months. Alternatively, the "All 12 Months" box may be completed if the same offer applies to all 12 months.

Line 14 Code Descriptions		Line 15 Entry	Line 17 Entry
1A	Qualifying offer: Minimum Essential Coverage (MEC) providing Minimum Value (MV) offered to full-time **employee**, and at least MEC offered to **spouse and dependents**. Employee Required Contribution is $103.15 or less (for 2022 calendar year plans).	Leave blank	Leave blank
1B	MEC providing MV offered to **employee only**.	Required	Leave blank
1C	MEC providing MV offered to **employee** and at least MEC offered to **dependents (no spouse).**	Required	Leave blank
1D	MEC providing MV offered to **employee** and at least MEC offered to **spouse (no dependents).** Do not use Code 1D if coverage for the spouse was offered conditionally. Instead, use Code 1J.	Required	Leave blank
1E	MEC providing MV offered to **employee** and at least MEC offered to **dependents and spouse**. If Employee Required Contribution is more than $103.15 and the year to 2022 calendar year plans, use Code 1E. Do not use Code 1E if coverage for the spouse was offered conditionally. Instead, use Code 1K.	Required	Leave blank
1F	Offer of MEC **NOT providing MV** was made to employee, or employee and spouse or dependents, or employee, spouse and dependents.	Leave blank	Leave blank
1G	Offer of coverage to **individual who was not a full-time employee** for any month and who enrolled in self-insured coverage for one or more months.	Leave blank	Leave blank
1H	**No offer of coverage to the employee**, or the offer was not MEC.	Leave blank	Leave blank
1I	Not applicable		
1J	MEC providing MV offered to **employee** and at least MEC **conditionally offered to spouse**; MEC not offered to dependents.	Required	Leave blank
1K	MEC providing MV offered to **employee**; at least MEC offered to **dependents;** and at least MEC **conditionally offered to spouse.**	Required	Leave blank
1L	Individual coverage HRA (ICHRA) offered to **employee only** with affordability determined by using employee's **primary residence ZIP code**.	Required	Required
1M	ICHRA offered to **employee and dependents (no spouse)** with affordability determined by using employee's **primary residence ZIP code**.	Required	Required

1N	ICHRA offered to **employee, spouse, and dependent** with affordability determined by using employee's **primary residence ZIP code**.	Required	Required
1O	ICHRA offered to **employee only** using the employee's **primary employment site ZIP code** affordability safe harbor.	Required	Required
1P	ICHRA offered to **employee and dependents (no spouse)** using the employee's **primary employment site ZIP code** affordability safe harbor.	Required	Required
1Q	ICHRA offered to **employee, spouse, and dependents** using employee's **primary employment site ZIP code** affordability safe harbor.	Required	Required
1R	ICHRA that is **NOT affordable** offered to employee; employee and spouse, or dependent(s); or employee, spouse and dependents.	Leave blank	Leave blank
1S	ICHRA offered to an **individual who was not a full-time employee**.	Leave blank	Leave blank

Line 15 – Employee Required Contribution

Enter the amount of the Employee Required Contribution, which is, generally, the employee share of the monthly cost for the lowest cost, self-only minimum essential coverage (MEC) providing minimum value (MV) that is offered to the employee. This amount may not equal the amount the employee is actually paying for coverage. For example, an employee enrolls in family coverage with a monthly premium of $250.00. The monthly premium for employee-only coverage is $150.00 which is the amount that should be entered in Line 15. For an employee offered an individual coverage HRA (ICHRA), the Employee Required Contribution is the excess of the monthly premium for the applicable lowest cost silver plan based on the employee's applicable age over the monthly ICHRA amount. For additional rules on determining the amount of the Employee Required Contribution, including cases in which an employer makes available certain cafeteria plan contributions, wellness program incentives, and opt-out payments, see Notice 2015-87.

Line 16 – Section 4980H Safe Harbor and Other Relief

Line 16 provides an opportunity for an employer to indicate an exception to a penalty. Completing this line is optional; however, it is in the employer's best interest to provide the information if it is applicable.

2A Employee not employed during the month

2B Employee not a full-time employee

2C Employee enrolled in coverage offered

2D Employee in a limited non-assessment period

2E Multiemployer interim rule relief

2F Section 4980H affordability Form W-2 safe harbor

2G Section 4980H affordability federal poverty line safe harbor

2H Section 4980H affordability rate of pay safe harbor

If more than one code applies to Line 16, use the following guidelines:

- If 2E and any other Code Series 2 applies, enter 2E
- If 2C and any other Code Series 2 applies other than Code 2E, enter 2C. (Exception: Do not enter code 2C when a terminated employee is enrolled in COBRA or other post-employment coverage; enter 2A.)
- If 2B and 2D apply, enter 2D

Line 17 – Zip Code

If the employer offers an ICHRA to an employee, enter the appropriate ZIP code used for identifying the lowest cost

silver plan used to calculate the Employee Required Contribution in line 15. This will be the ZIP code of the employee's residence (code 1L, 1M, or (code 1O, 1P, or 1Q).

Location safe harbor for ICHRAs. An employer may use the cost of self-only coverage for the lowest cost silver plan for the employee for self-only coverage offered through the Exchange where the employee's primary site of employment is located for determining whether an offer of an ICHRA to a full-time employee is affordable.

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