



California Public Employees' Retirement System
P.O. Box 720724
Sacramento, CA 94229-0724
(888) CalPERS (or 888-225-7377)
TTY: (877) 249-7442
www.calpers.ca.gov

Reference No.:
Circular Letter No.: 600-020-14
Distribution: VI, X, XII, XVI

Circular Letter

June 20, 2014

TO: CALPERS CONTRACTING AGENCIES, SCHOOLS, AND CALIFORNIA STATE UNIVERSITIES

SUBJECT: FINAL RULES: REPORTING REQUIREMENTS FOR PROVIDERS OF MINIMUM ESSENTIAL COVERAGE AND LARGE EMPLOYERS

This Circular Letter is to inform personnel staff of two recently issued final regulations from the Department of the Treasury and the Internal Revenue Service (IRS) regarding reporting requirements to support the individual and employer shared responsibility health coverage requirements contained in the Affordable Care Act (ACA).¹ These regulations may require your contracting agency, school, or university (Contracting Employer(s)) to take action.²

These final rules are effective for reports filed beginning in 2016 for the 2015 calendar year, and include:

1. [Information Reporting On Minimum Essential Coverage \(Section 6055 reporting\)](#)
2. [Information Reporting By Applicable Large Employers On Health Insurance Coverage Offered Under Employer-Sponsored Plans \(Section 6056 reporting\)](#)

The Section 6055 minimum essential coverage³ rule will assist the IRS in determining whether individuals are complying with the ACA's individual responsibility requirement relating to health insurance coverage and whether they are eligible for premium tax credits, if purchasing a health plan in the Health Insurance Marketplace in the area where they live.

¹ This Circular Letter is solely informational, current as of the date shown above, and general in nature. This Circular Letter should not be acted upon without specific legal advice. CalPERS encourages each Contracting Employer to thoroughly review the Circular Letter, and the federal regulations and corresponding guidance discussed within, with its own legal counsel to understand how it might specifically apply to them.

² Contracting Employers may also be receiving information regarding these two final regulations from other state departments, including, but not necessarily limited to, the California Department of Human Resources.

³ The term *minimum essential coverage* includes coverage under an eligible employer-sponsored plan. An eligible employer-sponsored plan is a group health plan or group health insurance coverage offered by an employer to an employee that is a governmental plan, any other plan or coverage offered in the small or large group market, or a grandfathered plan offered in the group market. Minimum essential coverage also includes government-sponsored programs (Medicare, Medicaid, CHIP, TRICARE, etc.) and plans in the individual market, including grandfathered plans.

The Section 6056 large employer reporting rule will assist the IRS in determining whether applicable large employers⁴ are complying with the employer shared responsibility requirement (see CL # 600-019-14 for more information) to offer affordable health coverage that meets minimum value to full-time⁵ and full-time equivalent⁶ employees and their dependents. It will also help identify individuals who are ineligible for premium tax credits due to employer-sponsored coverage that meets applicable employer shared responsibility requirements.

In general, the Department of the Treasury's [Fact Sheet](#) states that the ACA requires employers, insurers, and other reporting entities to report information including:

For Section 6055

- Information about the entity providing coverage, including contact information
- Which individuals are enrolled in coverage, with identifying information and the months for which they were covered

For Section 6056

- Information about the employer offering coverage (including contact information and the number of full-time employees)
- For each full-time employee, information about the coverage (if any) offered to the employee, by month, including the lowest employee cost of self-only coverage

Minimal Essential Coverage Rule, Section 6055

In general, Section 6055 requires health insurance issuers or carriers for insured coverage, plan sponsors of self-insured group health plan coverage, the executive department or agency of a governmental unit that provides coverage under a government-sponsored program, and any other person that provides minimum essential coverage to an individual to report to the IRS information about the type and period of health coverage offered. Reports must be filed by February 28 (March 31 if filed electronically) of the year following the calendar year in which minimal essential coverage was provided.

CalPERS or the health plans will report Section 6055 information to the IRS regarding minimum essential coverage offered to Contracting Employers' employees and their

⁴ The term *applicable large employer* means, with respect to a calendar year, an employer that employed an average of at least 50 full-time employees (including full-time equivalent employees) on business days during the preceding calendar year.

⁵ The term *full-time employee* means, with respect to a calendar month, an employee who is employed an average of at least 30 hours of service per week with an employer. For this purpose, 130 hours of service in a calendar month is treated as the monthly equivalent of at least 30 hours of service per week, provided the employer applies this equivalency rule on a reasonable and consistent basis.

⁶ The term *full-time equivalent employee* means a combination of employees, each of whom individually is not treated as a full-time employee because he or she is not employed on average at least 30 hours of service per week with an employer, who, in combination, are counted as the equivalent of a full-time employee solely for purposes of determining whether the employer is an applicable large employer.

families. Thus, CalPERS or the health plan, not the Contracting Employer, will fulfill the minimal essential coverage reporting requirement under Section 6055.

Shared Responsibility for Employers, Section 6056

In general, Section 6056 requires applicable large employers to report to the IRS information that demonstrates compliance with the employer shared responsibility requirements, including the offering of coverage to full-time employees. Unless using an alternative reporting method, as described in the Department of the Treasury's [Fact Sheet](#), applicable large employers are generally required to file a Section 6056 information return for each full-time employee that includes all reporting elements contained in the regulation. Applicable large employers are required to file the return on a yet-to-be-released transmittal form on or before February 28 (March 31 if filing electronically) of the year following the calendar year subject to reporting. Applicable large employers are required to file the return for the first time in 2016 for calendar year 2015 (or may voluntarily report for calendar year 2014).

Please note, unlike the minimal essential coverage reporting under Section 6055, neither CalPERS nor the health plans will be generating or submitting the Section 6056 on behalf of Contracting Employers.

Unless using an alternative reporting method, applicable large employers are generally required to submit a Section 6056 information return for each full-time employee with the following information:

1. Name, address, and employer identification number of the employer
2. Name and telephone number of the employer's contact person
3. Calendar year for which the information is filed
4. Certification as to whether the employer offered its full-time employees and their dependents the opportunity to enroll in minimum essential coverage under an employer-sponsored plan, by calendar month
5. Months during the calendar year for which minimum essential coverage was available
6. Each full-time employee's share of the lowest cost monthly premium (self-only) for coverage providing minimum value, by calendar month
7. Number of full-time employees by calendar month during the calendar year
8. Name, address, and Social Security number of each full-time employee during the calendar year and months, if any, during which each employee was covered under the employer's plan
9. Applicable additional information as may be required by the IRS

The return will also include indicator codes for employers to report:

1. Information as to whether coverage provides minimum value and whether employees had an opportunity to enroll their spouses in coverage
2. Total number of employees, by calendar month

3. Whether an employee's effective date of coverage was affected by a permissible waiting period, by calendar month
4. Whether an employer had no employees during a particular month, by calendar month
5. Whether an employer is a member of an aggregated group, and the name and employer identification number of each group
6. If a designated person is reporting on behalf of a governmental unit or agency, and related information
7. If an employer is a contributing employer to a multiemployer plan, whether the employer is not subject to an employer responsibility penalty because of its contribution to the plan
8. If a third party is reporting on behalf of an employer, the name, address, and identification number of the third party

Indicator codes will likely also be used to indicate:

1. Whether minimum essential coverage was offered to the employee only, the employee and children only, the employee and spouse only, or the employee, spouse, and children
2. Whether coverage was not offered to an employee
3. Whether coverage was offered to an employee even though the employee was not full-time for that month
4. Whether the employee was covered under the plan
5. Whether the employer met one of the affordability safe harbors under the employer shared responsibility rule

Generally, employers with 50 to 100 full-time employees that are not subject to the employer mandate for 2015 are still required to file a Section 6056 return with the IRS, but may state that they are not subject to the shared responsibility requirement under the transition relief provided. The IRS anticipates that additional indicator codes will be available on the Section 6056 return to indicate that an employer is using transitional relief.

Though Section 6056 provides a combined reporting option to fulfill both Sections 6055 and 6056 reporting requirements for those large employers that self-insure their own health plan(s), this option is not applicable to Contracting Employers. Contracting Employers are not self-insured for purposes of Section 6056. As noted above, CalPERS or the health plans will fulfill the Section 6055 minimum essential coverage reporting requirements. However, neither CalPERS nor the health plans will fulfill the Section 6056 large employer reporting requirements.

Section 6056 also requires applicable large employers to furnish related statements to their full-time employees. The statement includes the name, address, and employer identification number of the employer, and the information required in the Section 6056 return with respect to the employee. Employers must provide the statement by January 31 of each year following the calendar year for which the return must be filed. The final

rule contains specific requirements for providing these statements by mail or electronically. Please note that applicable large employers must provide the employee statements prior to the deadline for reporting Section 6056 information to the IRS. The January 31 statement deadline corresponds to the employer Form W-2 deadline and will help full-time employees prove that they have health coverage under the individual mandate when filing their income taxes.

The IRS will not impose penalties on applicable large employers that demonstrate a good faith effort to comply with the information reporting requirements under Section 6056. No relief is provided for applicable large employers that fail to make a good faith effort to comply with the regulations or that fail to timely file an information return or statement without cause.

CalPERS staff continues to assess laws and regulations, including the ACA, which may affect Contracting Employers and which may also impact the Public Employees' Medical and Hospital Care Act, the state law that specifically governs CalPERS health plans. While we make every effort to assist our Contracting Employers via Circular Letters, these letters are merely informational, and general in nature. A Contracting Employer should not act upon this or any Circular Letter without obtaining legal advice specific to the individual facts and circumstances of that Contracting Employer.

Please visit us at CalPERS On-Line to access the most current information available on these and other regulations relating to the ACA. Please contact the CalPERS Customer Contact Center at 888 CalPERS (or 888-225-7377) if you have further questions.

Sincerely,

DOUG P. McKEEVER, Chief
Health Policy Research Division