



Benefits Administration Letter

Number: 16- 205

Date: May 2, 2016
Updated July 28, 2016

Subject: Information to Fulfill Mandatory Reporting Requirements for Plan Year 2016 under Internal Revenue Code Sections 6056 and 4980H

I. Background

Employers, including Federal agencies, are subject to the Employer Shared Responsibility (ESR) provisions under sections 6056 and 4980H of the Internal Revenue Code (IRC). The Internal Revenue Service (IRS) requires Applicable Large Employers (ALEs) to file information returns on or before February 28 (March 31 if filed electronically) following the calendar year for which the offer of coverage is reported. ALEs are also required to furnish statements to each full-time employee about the health coverage the agency offered on or before January 31 of the year following the calendar year the offer was made.

OPM, in its role as administrator of the Federal Employees Health Benefits (FEHB) Program, has been working closely with Federal agencies and Shared Service Centers (SSCs) as many agencies have designated their SSCs to report on their behalf.

Purpose

This Benefits Administration Letter (BAL) provides preliminary information to assist Federal agencies for reporting year 2016. We will provide additional information for reporting year 2016 as it becomes available. This BAL provides updates on affordability safe harbors and the lowest cost FEHB plan for the 2016 plan year. OPM releases guidance each year to inform agencies of specific requirements for the following reporting year. Please refer to [BAL 15-204](#) for comprehensive guidance on IRC 6056 reporting.

Based on the 2015 reporting year experience, we have updated the list of agencies within OPM's determined ALE, as defined in this BAL (see attachment) and [BAL 14-207](#).

ALE and ALE Members

In [BAL 14-207](#), OPM provided definitions of the ALE and ALE member. These definitions serve as the criteria for determining whether an agency is in or outside of OPM's determined ALE, and are as follows:

ALE: The ALE is the group of civilian, non-Postal, executive agencies that are permitted by statute to participate in the FEHB Program.

ALE Member: ALE members are Cabinet level Departments, independent agencies, boards and commissions that make up the ALE.

Following these definitions, each Cabinet level Department, independent agency, board and commission is responsible for reporting the required information on its full-time employees to the IRS and reporting necessary information to full-time employees. The attached list includes agencies which fall under this definition and has been updated from the original list released in 2014. It does not include sub-agencies of each organization.

IRS Required Deadlines

For calendar year 2016 (health coverage in 2016), agencies must furnish Forms 1095-C to full-time employees on or before January 31, 2017. Agencies must file IRS Forms 1094-C and 1095-C with the IRS by February 28, 2017 if filing on paper, or March 31, 2017 if filing electronically.

II. Affordability

Health coverage is considered affordable when the employee's share of the premium for the self-only coverage offered to the employee would cost the employee less than 9.66% of that employee's annual household income. The IRS adjusts the applicable percentage for each plan year.¹ Employers are instructed to use the lowest-cost monthly premium for self-only coverage that is offered to the employee. For purposes of ESR reporting for calendar year 2016, the lowest cost plan will, in most cases, be the NALC Value Option, enrollment code KM1. The NALC Value Option is the nationwide plan with the lowest cost share for the employee at \$93.38² per month or \$1,120.56 per year.

A. Affordability Safe Harbors

Since employers generally will not know their employees' household incomes, employers can take advantage of one or more of the three IRS affordability safe harbors to determine whether coverage is affordable. The employer may choose to apply these safe harbors for any reasonable category of employees, provided it does so on a consistent basis. The three affordability safe harbors are: Form W-2 safe harbor, rate of pay safe harbor and the federal poverty line safe harbor.

For calendar year 2016, the NALC Value Option meets the threshold for the Form W-2 safe harbor for employees working a 40 hour work schedule and employed as a Grade 1, Step 1 on the General Schedule. It may meet the threshold for the rate of pay safe harbor for hourly employees depending on the number of hours worked and their hourly rate. It meets the threshold for the federal poverty line safe harbor.

SSCs should have their systems programmed to properly code for the affordability safe harbors. Those agencies that are not using an SSC are encouraged to read more about the affordability safe harbors in sections 54.4980H-4 and 54.4980H-5 of the IRS regulations. Further information on the safe harbors as it relates to the FEHB Program can be requested at ESR@opm.gov.

¹ See QA12, IRS [Notice 2015-87](#); [Rev. Proc. 2014-62](#). According to [Rev. Proc. 2016-24](#), the applicable percentage increases to 9.69% for plan year 2017.

² This applies to all non-postal rates.

B. Regional Low Cost Plans

Certain regional FEHB plans have a lower enrollee cost than the NALC Value Option for calendar year 2016. These premium amounts should be considered when determining affordability for individuals living in geographic areas where these plans are available. A chart of these plans is below:

Plan Name	Code	Option	2016 Enrollee Share (monthly premium rate)
Guam TakeCare	KX1	HDHP Self	\$41.37
Health Net of California	P61	Basic Self	\$71.94
Ohio AultCare HMO	3A4	HDHP Self	\$78.71
Humana Health Plans of Puerto Rico, Inc.	ZJ1	High Self	\$87.66
Kaiser Foundation Health Plan of Colorado	N41	Basic Self	\$87.75
Guam Calvos Selectcare	B44	Standard Self	\$89.12
Guam TakeCare	JK4	Standard Self	\$90.58
Aetna Health of Utah Inc.	9K4	HDHP Self	\$92.23
NALC Health Benefit Plan	KM1	Basic Self	\$93.38

IV. Certification of Eligibility

Alternative methods of reporting under section 6056 were developed by the IRS to offer a simplified method of employer reporting. These alternative reporting methods, the qualifying offer method and the 98% method, were described in a prior BAL and may permit employers to provide less detailed information than under the general method for reporting. Employers choosing these methods must meet certain conditions, as explained in BAL 15-204.³ **The qualifying offer method and 98% method are applicable to agencies for calendar year 2016.**

For 2016, the NALC Value option is again the lowest cost nationwide plan within the FEHB. However, the enrollee portion of the self only premium for the NALC Value option *does not* exceed 9.66% of the mainland single federal poverty line. Therefore, this method can be used in 2016. This is a change from last year's BAL [15-204](#), as the NALC Value Option did not meet all the requirements for the qualifying offer method. For calendar year 2016, it does meet all requirements and agencies using the NALC Value Option for their employees may use the qualifying offer method.

If you have any questions regarding this Benefits Administration Letter, please contact Julia Elam at 202.606.1560 or email ESR@opm.gov.

Sincerely,

John O'Brien
Director

Attachment

³ The conditions are described in detail in Subsections A through D of Section X in the preamble to the section 6056 regulations and in the 2015 instructions for Forms 1094-C and 1095-C.