

UBA
Compliance Brief

What every HR leader should know
about compliance, *at a glance*



2020 ACA Reporting for Individual Coverage Health Reimbursement Arrangements

2-Minute Read

2/4/2021 Update: The Internal Revenue Service (IRS) issued two additional codes for Line 14 of Form 1095-C regarding ICHRA coverage offered to an employee and their spouse, but not his or her dependents.

The IRS recently released final instructions for both the [1094-B and 1095-B](#) forms and the [1094-C and 1095-C](#) forms and the final forms for [1094-B](#), [1095-B](#), [1094-C](#), and [1095-C](#). The forms have generally remained unchanged from prior years. As a reminder, individuals do not pay a penalty for failure to have health coverage. Our recent Advisor provides a summary of the reporting requirements and [deadlines](#).

Individual Coverage Health Reimbursement Arrangement (ICHRA)

Calendar year 2020 was the first year in which employers could offer ICHRAs, allowing an employer to offer HRAs integrated with individual health insurance coverage or Medicare, subject to certain conditions. Form 1095-C and its instructions have been modified to add additional codes for reporting offers of ICHRAs. A new code “G” must be entered on Form 1095-B, Line 8 to reflect an ICHRA offering. If an employee is offered an ICHRA, the employer will enter the employee’s age as of January 1, 2020, under Part II of Form 1095-C (this age may be different than the age used to calculate the employee’s required contribution for affordability purposes). The 2020 instructions for Forms 1094-C and 1095-C provide the following additional ICHRA codes for Form 1095-C, Line 14:

- **1L.** Individual coverage HRA offered to employee only with affordability determined by using employee’s primary residence location ZIP code.
- **1M.** Individual coverage HRA offered to employee and dependent(s) (not spouse) with affordability determined by using employee’s primary residence location ZIP code.
- **1N.** Individual coverage HRA offered to employee, spouse, and dependent(s) with affordability determined by using employee’s primary residence location ZIP code.
- **1O.** Individual coverage HRA offered to employees only using the employee’s primary employment site ZIP code affordability safe harbor.



- **1P.** Individual coverage HRA offered to employee and dependent(s) (not spouse) using the employee's primary employment site ZIP code affordability safe harbor.
- **1Q.** Individual coverage HRA offered to employee, spouse, and dependent(s) using employee's primary employment site ZIP code affordability safe harbor.
- **1R.** Individual coverage HRA that is NOT affordable offered to employee; employee and spouse, or dependent(s); or employee, spouse and dependents.
- **1S.** Individual coverage HRA offered to an individual who was not a full-time employee.

The IRS [issued](#) the following additional two codes after publishing the final forms and instructions:

- **1T.** Individual coverage HRA offered to employee and spouse (no dependents) with affordability determined using employee's primary residence location ZIP code.
- **1U.** Individual coverage HRA offered to employee and spouse (no dependents) using employee's primary employment site ZIP code affordability safe harbor.

If one of the above codes is used, the employer will need to enter the appropriate ZIP code on Line 17.

For information on how to determine whether ICHRA coverage is "affordable" to an employee, please see our UBA Advisor "[Update on Tri-Agency Final Rules on Health Reimbursement Arrangements](#)." The 2020 instructions for Forms 1094-C and 1095-C provide employers with a [tool](#) for determining the lowest cost silver plan for an employee when calculating the affordability of the ICHRA plan.

10/19/2020
Updated 2/4/2021

This information is general and is provided for educational purposes only. It is not intended to provide legal advice.
You should not act on this information without consulting legal counsel or other knowledgeable advisors.