

Employer Compliance Guide

Affordable Care Act (ACA) rules, clarifications, and requirements continue to impact employers sponsoring health plans. Understanding these changes, their impact to your business and benefits strategy, and complying with these requirements requires continued analysis. A comprehensive strategic analysis will include a review of all employer laws and responsibilities, including ACA, ERISA, and HIPAA.

Business Attribute	Compliance Impact	Consult Your Trusted Advisor To
Have an average of more than 50 full-time and full-time equivalent employees in the preceding calendar year	Penalties may result for failure to offer affordable, minimum value coverage to full-time employees and their dependent children	Document the ACA applicable large employer (ALE) calculation for 2024 to determine employer responsibilities for 2025 for the Pay or Play mandate
Have less than 50 full-time equivalent employees that are part of Controlled or Affiliated Group	Failure to count employees accurately may result in tax penalties for each member of the controlled group	Partner with your tax advisor for determination of large employer status based on controlled group rules
Have or gain more variable hour employees	Inability to produce accurate records will result in significant administration and a potential for penalties	Develop an appropriate eligibility program, and its corresponding recordkeeping and communications
“Applicable large employer” (ALE) or employer with a self-funded plan	Obligation to provide annual IRS reports	Institute and document procedures and process to gather and track information for reporting
Employer sponsoring one or more benefit plans	Lack of plan documents create potential for employer liability	Finalize plan documents, making sure to incorporate any new employee classifications
Annual compliance requirements under ACA, ERISA, and HIPAA	Failure to comply with employer responsibilities may result in fines, taxes, penalties, and increased administrative costs	Complete a compliance assessment to itemize all obligations and set a compliance schedule

This document is not intended to be exhaustive, nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel for legal advice.

2025 Health Care Reform Compliance Checklist

The Affordable Care Act (ACA) has made a number of significant changes to group health plans since the law was enacted years ago. Many of these key reforms became effective in 2014 and 2016, including health plan design changes, increased wellness program incentives and the employer shared responsibility penalties. To prepare for reporting the 2025 year, due in 2026, employers should use this health care reform compliance checklist to review upcoming requirements and develop a compliance strategy.

Provision Name	Applicability	Compliance Action Items
Determine Applicable Large Employer (ALE) Status for Employer Shared Responsibility (“Pay or Play”)	Employers who employed 50 or more full-time and full-time equivalent (FTE) employees in the prior calendar year	<ul style="list-style-type: none"> Calculate the number of full-time employees for all 12 calendar months of 2024. A full-time employee is employed, on average, at least 30 hours of service per week or 130 hours for the calendar month Calculate the number of Full Time Equivalents (FTE) for all 12 calendar months of 2024 by calculating the aggregate number of hours of service (but not more than 120 hours of service for any employee) for all employees who were not full-time employees for that month and dividing the total hours of service by 120 Add the number of full-time employees and FTEs (including fractions) calculated above for all 12 calendar months of 2024, divide the sum by 12 (disregard fractions): If your result is 50 or more, you are likely an ALE for 2025 Keep in mind that there is a special exception for employers with seasonal workers. If your workforce exceeds 50 full-time employees (including FTEs) for 120 days or fewer during the 2024 calendar year, and the employees in excess of 50 who were employed during that time were seasonal workers, you do not qualify as an ALE for 2025

The IRS provides two methods for determining full-time employee status for purposes of offering coverage:

Monthly Measurement Method

Involves a month-to-month analysis where full-time employees are identified based on their hours of service for each month. This method is not based on averaging hours of service over a prior measurement method. Month-to-month measuring may cause practical difficulties for employers that have employees with varying hours or employment schedules, and could result in employees moving on and off the employer coverage on a monthly basis.

Look-Back Measurement Method

An optional safe harbor method for determining full-time status that can provide greater predictability for determining full-time status. The details of this method are based on whether the employees are ongoing or new, and whether new employees are expected to work full-time or are variable, seasonal or part-time.

This method involves a **measurement period** for counting hours of service, an **administrative period** that allows time for enrollment and disenrollment, and a **stability period** when coverage may need to be provided, depending on an employee's average hours of service during the measurement period.

If an employer meets the requirements of the safe harbor, it will not be liable for penalties for employees who work full-time during the stability period, if they did not work full-time hours during the measurement period. (For more help, refer to the [Amwins ACA FT Status Brief](#))

Provision Name	Applicability	Compliance Action Items
Employer Mandate: Offer of Coverage	Applicable Large Employers (ALEs) offering health plans to employees	<ul style="list-style-type: none"> Determine full-time employees; A full-time employee is an employee who was employed, on average, at least 30 hours of service per week (or 130 hours of service in a calendar month) Use one of the IRS methods (above) to confirm health coverage will be offered to all full-time employees and their dependent children If using the look-back measurement method, you will need to select your measurement, administrative and stability periods
Employer Mandate: Plan Affordability	Applicable Large Employers (ALEs) offering health plans to employees	<p>Plan affordability Safe Harbor is calculated as the percentage of premium the employee pays for the employee-only rate as compared to their compensation, i.e. W2, rate of pay, and Federal Poverty Level (FPL)</p> <p>To be considered affordable the employee must pay no more than:</p> <ul style="list-style-type: none"> 9.02% for 2025 plan years 9.96% for 2026 plan years
Employer Mandate: Penalties	Applicable Large Employers (ALEs) offering health plans to employees	<p>A penalty could be assessed if the following requirements are not met:</p> <ul style="list-style-type: none"> Offering health coverage to at least 95% of full-time employees and dependent children Offering health coverage that meets the minimum value requirement of 60% Offering health coverage that is affordable with employees paying no more than 9.02% for the 2025 plan year (9.96% for 2026) of their household income for the employer coverage <p>4980H(a) Penalty: Not offering coverage</p> <ul style="list-style-type: none"> Employer pays \$2,900/year (\$241.67/month) for 2025 plan year per FT EE (not counting first 30) if coverage not offered to 95% of FT EEs. <p>4980H(b) Penalty: Not offering coverage that is affordable and provides minimum value</p> <ul style="list-style-type: none"> Employer pays \$4,350/year (\$362.50/month) for 2025 plan year per FT EE receiving subsidized coverage (not counting first 30) if coverage is not affordable and does not meet minimum value.

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ACA Health Plan Reporting - §6055	Insurance providers, government agencies, multiemployer plans, and employers who sponsor self-insured plans	Reporting of plan information and participant information <ul style="list-style-type: none"> • IRS Forms 1094-B & 1095-B for insurance carriers and small employers (non-ALE) with self-funded plans • IRS Forms 1094-C and 1095-C for employers who are ALEs Due to IRS on or before: <ul style="list-style-type: none"> • Paper filing – Last day of February • Electronic filing – March 31st 		
ACA Health Plan Reporting - §6056	Applicable Large Employers (ALEs)	IRS Transmittal Form 1094-C and copies of 1095-C <ul style="list-style-type: none"> • Reporting of employer sponsor information, employer offer of coverage, and compliance with employer mandate, i.e. minimum value and affordability • Must be sent to IRS on or before the last day of February (paper filing) or March 31st (electronic filing required if 10+ forms are submitted) 		
ACA Health Plan Reporting – 1095 Statements	Applicable Large Employers (ALEs)	IRS Forms 1095-B and 1095-C <ul style="list-style-type: none"> • Statement confirming offer of coverage, type of coverage, months coverage was offered, and enrollment status • Must be sent to all employees on or before March 2nd 		
Penalties for ACA Reporting Violations (effective 2025)	Penalty Type	Per Violation	Annual Maximum	Annual Maximum for Employers with less than or equal to \$5 million in gross receipts
	General	\$330	\$3,987,000	\$1,329,000
	Corrected within 30 days	\$60	\$664,500	\$232,500
	Corrected after 30 days but before Aug 1st	\$130	\$1,993,500	\$630,500
	Intentional disregard	\$660*	No maximum	N/A
<p><i>*For failures due to intentional disregard, the penalty is equal to the greater of either the listed penalty amount or 10 percent of the aggregate amount of the items required to be reported correctly.</i></p> <p><i>IRS Letter 226J – Beginning in 2017, the IRS began sending out letters assessing penalties based on the self-reporting submitted via a form 1094-C and 1095-C. The IRS will continue the effort to enforce the requirement and collect penalties for subsequent years. Employers have a 90-day window to appeal the assessment. Contact your broker or ACA reporting vendor for guidance.</i></p>				

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Annual Out-of-Pocket Limits	<ul style="list-style-type: none"> All self-funded plans Fully-insured small group plans Large group plans <i>Excludes grandfathered plans</i>	<ul style="list-style-type: none"> Out-of-pocket limit must include plan's deductible and cost-sharing amounts for benefits considered EHB under ACA Each individual maximum cannot exceed the out-of-pocket amount for self-only coverage No separate maximum for Rx copays even if plan has separate pharmacy service <table> <tr> <th></th><th>2025 plan year</th><th>2026 plan year</th></tr> <tr> <td>ACA-compliant plans (HHS)</td><td> <ul style="list-style-type: none"> Self-only \$9,200 Family \$18,400 </td><td> <ul style="list-style-type: none"> Self-only \$10,600 Family \$21,200 </td></tr> <tr> <td>HSA-qualified HDHP (IRS)</td><td> <ul style="list-style-type: none"> Self-only \$8,300 Family \$16,600 </td><td> <ul style="list-style-type: none"> Self-only \$8,500 Family \$17,000 </td></tr> </table>		2025 plan year	2026 plan year	ACA-compliant plans (HHS)	<ul style="list-style-type: none"> Self-only \$9,200 Family \$18,400 	<ul style="list-style-type: none"> Self-only \$10,600 Family \$21,200 	HSA-qualified HDHP (IRS)	<ul style="list-style-type: none"> Self-only \$8,300 Family \$16,600 	<ul style="list-style-type: none"> Self-only \$8,500 Family \$17,000
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Grandfathered Plan Status	Employers with grandfathered plans	<ul style="list-style-type: none"> Provide annual notice to all employees at open enrollment or new eligibility - can be included in the SPD - A Model Notice is available from the DOL Required amendments should be made prior to beginning of plan year (plan must comply even if not yet formally amended) If plan ceases to be meet grandfathered status, confirm that the plan has all of the additional patient rights and benefits required by the ACA for non-grandfathered plans 									
Health Benefits Plan Requirements	Applicable large employers (ALEs) offering health plans to employees	<ul style="list-style-type: none"> Offer a group health plan with minimum essential coverage (MEC) Applicable large employers (ALEs) offering health plans to employees Satisfy the minimum value (MV) requirement Be affordable to the employee 									
Individual Premium Reimbursement	All employers	Employers cannot reimburse employees for the premium cost of individual insurance coverage; applies on all pre-tax and post-tax reimbursements									
Medical Loss Ratio (MLR) Rebates	Employers who have received a rebate	<ul style="list-style-type: none"> Employers must distribute rebates received from the insurance carrier to eligible plan enrollees, as appropriate; they are only issued if carrier does not meet the MLR standards in any given year Rebates are due to employer-policyholders by September 30th 									
W-2 Reporting	Employers filing 250 or more W-2s in the preceding year	<ul style="list-style-type: none"> Report aggregate cost of employer-sponsored group health benefits (employer + employee contributions) Due January 31st for Form W-2s issued for the previous tax year 									
Waiting Periods	All group health plans, including grandfathered plans	<ul style="list-style-type: none"> Maximum waiting period of 90 calendar days Can have bona fide orientation period of one month prior to start of 90-day waiting period 									

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Cafeteria Plan Elections	<ul style="list-style-type: none"> Reduction in hours – applies even if there is no loss of coverage New MEC plan – coverage must be effective no later than the 1st of the second month following revocation Marketplace – coverage must be effective no later than the 1st day after the group plan terminates 	<p>May allow cafeteria plan election changes for employees who(se):</p> <ul style="list-style-type: none"> Hours are reduced to less than 30 Desire to enroll or actually enroll in other minimum essential coverage (MEC) Are eligible for Marketplace coverage during annual open enrollment or a special enrollment period 												
Flexible Spending Accounts	<ul style="list-style-type: none"> Plan amendment and overpayments by 12/31/24 Beginning 1/1/25 	<ul style="list-style-type: none"> FSA Limit for 2025 is \$3,300 (must amend cafeteria plan) Resolve any FSA overpayments Review carryover provisions with offer of HSA plan; Not eligible for HSA if carryover FSA in play unless opt-out or limited purpose 												
Health Spending Accounts	<ul style="list-style-type: none"> Plan amendment by 12/31/24 Beginning 1/1/25 	<p>HSA Maximum Contribution Amounts (must amend cafeteria plan):</p> <table> <tr> <th></th><th>2025 plan year</th><th>2026 plan year</th></tr> <tr> <td>Individual</td><td>• \$4,300</td><td>• \$4,400</td></tr> <tr> <td>Family</td><td>• \$8,550</td><td>• \$8,750</td></tr> <tr> <td>Catch-up contribution allowed (age 55 & over)</td><td>• \$1,000</td><td>• \$1,000</td></tr> </table>		2025 plan year	2026 plan year	Individual	• \$4,300	• \$4,400	Family	• \$8,550	• \$8,750	Catch-up contribution allowed (age 55 & over)	• \$1,000	• \$1,000
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Marketplace Notification	All group health plans, including grandfathered plans	<p>Provide to all new hires within 14 days of hire date</p> <p>Indicates existence of Marketplace, eligibility for subsidies and contact information</p>												
Notice of Coverage Options (Exchange Notice)	All employers	<p>Customize and provide notice to all employees (full & part-time, whether eligible for coverage or not):</p> <ul style="list-style-type: none"> Within 14 days of date of hire, must give to all employees. May also include (as a separate notice) with open enrollment materials. Must also provide to non-eligible employees. <p>Document and confirm that notice has been provided all current employees.</p> <ul style="list-style-type: none"> Model notice (word PDF) for employers who offer a health plan to some or all employees, Model notice (word PDF) for employers who do not offer a health plan 												

Provision Name	Applicability	Compliance Action Items
Patient Centered Outcomes/ Comparative Effectiveness Fees (PCORI)	Insurers and plan sponsors of self-insured plans	Report on IRS Form 720; due by July 31st Fee per each covered life for plan years ending: <ul style="list-style-type: none"> after 09/30/2023 and before 10/01/2024 = \$3.22 after 09/30/2024 and before 10/01/2025 = \$3.47
Marketplace Notification	All group health plans, including grandfathered plans	Provide to all new hires within 14 days of hire date Indicates existence of Marketplace, eligibility for subsidies and contact information
Summary of Benefits and Coverage (SBC)	All group health plans, including grandfathered plans	Provide at first day of open enrollment, on first day of plan year (if no open enrollment) or at time of application
Summary Plan Description (SPD)	All employers with ERISA plans	Update SPD with any new plan changes and provide to each participant (beneficiaries on request) within 120 days of plan effective date

Compliance Partners

Amwins Connect Compliance Partners are available to provide services to help keep employers in compliance. Below is our list of curated partners, contact your [Amwins Connect Sales team](#) for more information.

	ACA Reporting	ERISA	COBRA	Section 125 (Cafeteria Plan)	Flexible Benefits (HSA, FSA, HRA)
ACA Compliance Services	X				
Navia Benefits		X	X	X	
PrimePay	X	X	X	X	X
Sterling Administrators	X	X	X	X	X

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