

State Health Reform Assistance Network

Charting the Road to Coverage

ISSUE BRIEF
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Building on Year One 1095-A Form Success: Marketplaces' Recommendations for Future Tax Seasons

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Introduction

Beginning with tax year 2014, all health insurance marketplaces—the federally-facilitated and state-based alike—were newly required to report information about Qualified Health Plan (QHP) enrollment to all enrollees through Form 1095-A,¹ which was developed by the Internal Revenue Service (IRS) and used by enrollees to fill out new tax forms. While some feared that the new challenges associated with generating, distributing, and using the 1095-A form would evoke memories of the Affordable Care Act's (ACA) difficult first open enrollment period, the state-based marketplaces (SBMs) and federally-facilitated marketplace (FFM) primarily executed their reporting requirements to enrollees successfully, providing most forms in a timely manner and working effectively to tackle and resolve challenges that arose, such as the need to provide corrected forms and strong consumer assistance. The IRS also helped to ensure this first tax season went relatively smoothly by providing consumers flexibility in filing their tax returns as challenges arose, permitting consumers not to refile with late corrected forms, and encouraging consumers to request tax filing extensions. However, over time, as people become more accustomed to the ACA-related tax filing implications, the IRS is likely to provide less flexibility and have higher expectations of consumers. In total, the IRS estimates that the FFM and SBMs distributed 4.8 million 1095-As, covering some 7.5 million individuals.²

Manatt Health Solutions, through the support of the Robert Wood Johnson Foundation's (RWJF) *State Health Reform Assistance Network*, facilitated a workgroup of SBMs leading up to and during the 2014 tax season to enable state discussion on implementation challenges and solutions. Based on those workgroup meetings and follow-up interviews with marketplace officials in California, Colorado, the District of Columbia, Kentucky, and New York, this brief examines the practical strategies learned this year to ease implementation of 1095-A forms in the future. These lessons are not only applicable across marketplaces, but also to the insurance carriers, government agencies, and employers facing new ACA tax reporting requirements for tax year 2015 for enforcing the individual shared responsibility requirement and large employer responsibility requirement. These entities will be responsible for generating Forms 1095-B³ and 1095-C⁴ beginning in future tax seasons.

ABOUT STATE NETWORK

State Health Reform Assistance Network, a program of the Robert Wood Johnson Foundation, provides in-depth technical support to states to maximize coverage gains as they implement key provisions of the Affordable Care Act. The program is managed by the Woodrow Wilson School of Public and International Affairs at Princeton University. For more information, visit www.statenetwork.org.

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Manatt Health Solutions (MHS) is an interdisciplinary policy and business advisory division of Manatt, Phelps & Phillips, LLP, one of the nation's premier law and consulting firms. MHS helps clients develop and implement strategies to address their greatest challenges, improve performance and position themselves for long-term sustainability and growth. For more information visit: www.manatt.com/manatthealthsolutions.aspx.

ABOUT THE ROBERT WOOD JOHNSON FOUNDATION

For more than 40 years the Robert Wood Johnson Foundation has worked to improve health and health care. We are striving to build a national Culture of Health that will enable all to live longer, healthier lives now and for generations to come. For more information, visit www.rwjf.org. Follow the Foundation on Twitter at www.rwjf.org/twitter or on Facebook at www.rwjf.org/facebook.

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Marketplaces’ “lessons learned” and recommendations addressed five key areas:

- Ensuring data integrity and reconciliation between carriers and marketplaces
- Generating and distributing Form 1095-A
- Tackling errors and the correction process
- Providing consumer assistance
- Establishing partnerships with federal agencies

Ensuring data integrity and reconciliation between carriers and states

The 1095-A forms are used in the process of claiming and reconciling the premium tax credit, which had an average value of \$3,400 in 2014,⁸ making it critical that the forms accurately reflected marketplace enrollees’ coverage status and tax credits received or owed. To ensure the integrity of the data provided on their forms, all marketplaces engaged in a data integrity reconciliation process with QHP carriers to verify that the data in their system—which would be used to populate the 1095-A form—matched the data in the carriers’ systems. Most marketplaces relied on carriers for this data because carriers collect enrollees’ premiums and are therefore responsible for providing timely and accurate information to the marketplace.⁹ All states reported the need for an extensive data exchange and quality assurance process with carriers and have continued cleaning the 2014 data well into 2015, such that the two coverage year data integrity efforts are now overlapping. States will be addressing tax season 2014 errors and corrections at least through October 2015, the six-month extended deadline that the IRS generally provides to anyone who files for an extension. This year, the IRS encouraged marketplace enrollees impacted by incorrect 1095-A forms to file for this extension.

Marketplace officials noted their greatest discrepancy with carriers’ data was due to not having received an effectuation, termination, or cancellation transaction from the carrier, leading to the systems showing different coverage start and end dates or enrollment status. Since premium tax credits are based in part on the number of months for which someone is enrolled in a qualified health plan, the start and end dates of coverage can directly affect the size of someone’s credit. Interviewees also acknowledged that this year’s data was impacted by the technical challenges encountered as they and carriers launched the marketplaces for the first time, and that they anticipated fewer data discrepancies in future years. Marketplaces and carriers plan to conduct reconciliation more proactively throughout future years to help mitigate the need for extensive cleaning directly prior to the production of the 1095-A forms.

In addition to reporting enrollment and premium tax credit information to enrollees, marketplaces were also required to report this information to the IRS. This brief does not address marketplace performance in meeting the IRS reporting requirements, and instead focuses on their reporting to and communication with enrollees. Marketplaces’ reporting to the IRS has been preliminarily evaluated by a number of federal agencies.^{5,6,7}

The state marketplaces that actively participated in RWJF’s *State Health Reform Assistance Network* workgroup and those interviewed for this brief were highly functional and engaged early in planning for and executing 1095-A requirements. They were selected as key leaders to offer insights based on their experiences.

STATES HAD THE FOLLOWING RECOMMENDATIONS REGARDING DATA INTEGRITY RECONCILIATION:

- Establish an ongoing, proactive strategy for checking data integrity. Conduct reconciliation with carriers:
 - (1) On an ongoing basis throughout the year;
 - (2) In an extensive effort well in advance of generating and distributing the forms; and
 - (3) Throughout the tax season, after original 1095-A forms have been distributed.
- Plan to continue reconciliation with carriers beyond the end of the tax season as needed; and
- Prepare for insurance carriers to be occupied with their new reporting obligations under the ACA in tax year 2015. A number of marketplaces noted that carriers will be newly implementing Form 1095-B and may have a more limited capacity to work with marketplaces on 1095-A forms. Given the time-intensive nature of the reconciliation process, it may be particularly important in the months ahead to tackle data reconciliation well in advance of the tax season.

Generating and distributing Form 1095-A

Marketplaces were required to generate and distribute a high volume—from tens of thousands in D.C. to almost 1 million in California—1095-A forms by the end of January 2015. Many states conducted system tests and developed small batches of forms to confirm the right information was coded to appear in the correct location on the form. One marketplace in particular highlighted the importance of testing and communicating with the IRS, which permitted this marketplace, while adhering to the law, to use a slightly modified version of a specific data element to accommodate how its system was built.

All states highlighted the need to prepare early for such a large mailing; two states noted that due to the size of the mailing, the cover letter they included with the form had to be finalized well ahead of the mailing dates. Marketplace officials agreed, however, that the cover letter was an important tool for ensuring consumers understood upon receipt what the 1095-A form was and how to use it. Most marketplaces both mailed the form to a physical address and posted a PDF version online in an individual's account (or through a separate login, like D.C. did, as described to the right). Interviewees reported that posting the PDF in addition to mailing the form was an effective strategy for distribution of the form. One state that only posted the PDF form (and did not mail it) for enrollees who had requested to only receive electronic communications plans to both post and mail versions to everyone in subsequent years due to the numerous requests they received for hard copies of the form.¹⁰ Many states noted that a high volume of returned mail hampered their efforts to reach enrollees efficiently; California instituted a manual process to call consumers and request an updated mailing address.

D.C.'s marketplace wished to make enrollees' 1095-A forms accessible online, but was concerned that posting the form in enrollees' accounts would lead to a high volume of consumer assistance requests from individuals who had created multiple accounts, or those who had forgotten passwords. To permit consumers to access the online forms without requiring them to log in to their original marketplace account, D.C. developed a simplified approach. It established a separate page on its website that required enrollees to enter only their first and last names, Social Security Number, and date of birth. With just that information, the enrollee was able to access and download their original and (if applicable) corrected 1095-A forms. The technology team was able to leverage their database of consumer documents and developed this portal quickly and efficiently, launching it in early February of 2015. Most calls for consumer assistance that came in subsequently could be resolved by directing people to the document portal.

STATES HAD THE FOLLOWING RECOMMENDATIONS REGARDING GENERATING AND DISTRIBUTING FORM 1095-A:

- Conduct extensive testing on the production of Form 1095-A, develop batch tests, and reach out to contacts at the IRS as needed;
- Plan well in advance for a massive mailing effort, including finalizing cover letter language early and cleaning physical addresses on file—throughout the year and in advance of the mailing;
- Institute a process, as automated as feasible, for correcting addresses on returned mail and resending to the updated addresses; and
- To reduce consumer requests for duplicate copies of 1095-As, provide access to forms through the mail and online; consider leveraging existing resources to establish a secure portal for providing consumers with electronic copies of their form.

Tackling errors and the correction process

In the first ACA-impacted tax season, marketplaces were responsible for implementing an entirely new form and sending it to a large number of taxpayers, making it not surprising that errors arose. In the event an error was identified on a form already generated and sent to an enrollee, marketplaces were required to issue corrected 1095-A forms, similar to how employers must send a corrected W-2 to employees if an error is identified. Marketplaces sent some corrected forms in response to errors identified by enrollees who disagreed with information on the form they received, but, more commonly, corrected forms were sent because the marketplace received updated enrollment information from carriers after the 1095-A form had been sent to a recipient. Marketplaces also sometimes identified systematic errors produced by their IT systems, such as the FFM's use of an incorrect benchmark plan variable for a share of its 1095-A recipients.

The most common reasons a 1095-A form would need to be revised, identified either by enrollees or through an updated data exchange with carriers, included:

- **Coverage effective dates.** All states identified errors associated with the start date, termination date, and number of months (or which months) covered as the greatest driver of corrected forms.
 - **Termination date, due to non-payment during grace period.** Marketplaces noted that enrollees who were in a “grace period” for non-payment of their premiums¹¹ at the end of the year and were retroactively terminated triggered the need to send a corrected form.
- **Canceled policies.** Most marketplace interviewees noted that some recipients of the 1095-A forms called the marketplace claiming to have never been enrolled in coverage. These individuals may have been determined eligible by the marketplace and selected a plan, but either never effectuated enrollment by paying a premium, or canceled the plan before it began. If the marketplace received an enrollment transaction but no subsequent cancellation transaction from the carrier, and therefore generated a Form 1095-A erroneously, it would be required to send a “voided” 1095-A form to these enrollees. The IRS had not developed specifications for a voided 1095-A form before the tax season began, but provided instructions once this issue was uncovered.
- **Incorrect advanced premium tax credit (APTC) information.** Several states noted that levels of advanced premium tax credits, or the months for which APTC was received, were incorrect on some forms.

States instituted various methods for accepting enrollees’ requested corrections, though most states required people to either submit a paper form or to call the marketplace’s call center. Several marketplaces expressed interest in creating a more “consumer-friendly” process for requesting corrections, including developing an online submission form. Marketplaces found it vital to establish clear processes for making the correction, including who could determine that a correction should be made.

Most marketplaces were reliant on their carriers to review and validate requested corrections, and one marketplace, under certain circumstances, required the carrier to send documentation to the individual, who then had to forward it to the marketplace to supplement their correction request. Generally, marketplaces worked in tandem with and relied heavily on carriers as part of the correction process. It behooved states to delineate clear responsibilities regarding which entity’s data would be used to address a consumer’s requested correction and how to share information or documentation when needed.

STATES’ RECOMMENDATIONS REGARDING ERRORS AND THE CORRECTION PROCESS INCLUDE:

- Begin planning for the correction process as early as possible, considering staff and IT infrastructure required to accept corrections, verify information with carriers, approve a correction, and produce a corrected form in as timely a manner as possible;
- Build close relationships with carriers and establish a defined hierarchy for marketplace and carrier data, and a clear process between the two entities to resolve discrepancies;
- Permit enrollees to submit corrections through a variety of means, including an online form; and
- Set up a real-time system to document and analyze requests for corrections during the tax season, allowing the marketplace to identify trends in required corrections and any systemic errors that could inform future efforts to ensure data integrity (e.g., improvements to 834 transactions and reconciliation with carriers).

Providing consumer assistance

Because 2014 was the first year of marketplace coverage, officials anticipated extensive consumer confusion for the first tax season and a high need for consumer education. Particularly problematic in early 2015 was the overlap between the end of the 2015 open enrollment period (which concluded on February 15, 2015), marketplaces’ distribution of the 1095-A form (approximately end of January), and a standard peak in the tax filing season when many people tend to submit their tax returns (mid-February). This confluence of factors created a period of uniquely high need for consumer assistance to address both open enrollment and tax filing questions simultaneously. For the upcoming tax season, this confusion will be reduced because the 2016 open enrollment period ends on January 31, 2016. While there may be some overlap between the last push to enroll in the marketplace and the distribution of the 1095-A forms, open enrollment will be over by the time there is a peak in tax filing.

To account for the anticipated confusion, marketplaces prepared various types of consumer assistance, including sending a cover letter with consumer-friendly instructions on how to use the 1095-A and where to call with questions; training of navigators and assisters; engagement with the nation's tax preparers and software companies; and, in particular, heavy reliance on their call centers.

Most marketplaces trained a dedicated subset of call center representatives and some set up a separate phone number specifically for 1095-A questions. Marketplaces also reported training all of their call center staff on 1095-A issues so that only the more complex questions were escalated to the highest-trained staff. California, Colorado, and D.C. indicated that between 10 percent and 15 percent of form recipients called for assistance. Some marketplace officials reported their surprise that they did not receive a greater volume of 1095-A-related calls from consumers. Among the calls that were received, marketplaces were able to reduce consumer frustration and requests for corrections by using their call center staff to educate consumers, walk them through the forms, and answer their questions.

Marketplace officials reported that many individuals called in asking general questions (such as, “what is this form and why did I receive it?”) and that consumers expressed confusion on two additional specific topics: the accuracy of the monthly premiums¹² and the need to fill in benchmark plan information.¹³

STATES RECOMMENDED THE FOLLOWING STRATEGIES TO PROVIDE CONSUMER ASSISTANCE THROUGH CALL CENTERS:

- Train a dedicated unit within the call center to assist consumers with more complicated 1095-A questions, but educate all representatives so basic questions can be answered by any representative;
- Increase staffing in anticipation of a higher volume of calls, particularly as the 1095-A forms are distributed and at peak tax filing times. Despite the fact that some marketplaces saw lower-than-anticipated calls this year, many project increased confusion next year due to the addition of 1095-B and 1095-C forms;
- Track the volume of calls specific to 1095-A forms and review call logs to identify common sources of confusion or error. Use this information to update training materials and for communication with carriers; and
- Provide a simple, online “benchmark plan look-up tool” that enables enrollees who must fill in their benchmark plan information to access it easily.

In addition to utilizing their call centers, marketplaces adopted an affirmative approach to managing consumer questions and confusion about the 1095-A form, relying on a diverse mixture of strategies that they credit with reducing the volume of 1095-A calls to the call centers.

STATES RECOMMENDED THESE KEY CONSUMER ASSISTANCE STRATEGIES:

- **Send “Watch the Mail” and “Alert” notifications.** Prior to distributing the form, some marketplaces sent letters or emails that introduced enrollees to the 1095-A form, advised them to be on the look-out for the form, and urged them to save the form with their other important tax documents.
- **Develop Frequently Asked Questions (FAQs).** Many, if not all, states provided an FAQ document that walked consumers through potential areas of confusion. One state, in particular, believed that their extensive FAQ was invaluable in providing consumers with the information they needed.
- **Dedicate a page online to 1095-As.** Several states commented that their marketplaces’ robust and singularly-focused online “tax page” was well-received.
- **Outreach to and training for the tax preparation community.** Some marketplace officials identified tax preparation software companies and tax preparers active in their state as key partners. Some marketplaces worked more extensively with this community during this year’s tax season, while others intend to do so for future tax seasons.
 - Marketplace officials reported that they wished to build on their success with engaging the large tax preparers by conducting further outreach to smaller tax preparation companies in particular. Officials encouraged the IRS to leverage their communication infrastructure and relationships with the tax preparer community to conduct further trainings and outreach.
 - Marketplace officials noted the importance of keeping the lines of communication open before and during the tax season with the tax preparation community. Marketplaces were able to identify and tackle emerging issues, such as some tax preparers inadvertently asking Medicaid or Small Business Health Options Program (SHOP) marketplace enrollees to produce 1095-A forms. This confusion may have arisen in particular for these beneficiaries if they replied affirmatively when asked if they enrolled “through the marketplace.”
 - Colorado benefitted from certifying tax preparers as enrollment brokers and is considering developing a “toolkit” to arm preparers with all the information that they or their customers might need regarding the marketplace’s 1095-A policies.
 - Finally, in the future, states may wish to leverage or advertise other ACA-related resources available in the public domain geared to tax preparers. The Center on Budget and Policy Priorities, for example, developed an “Affordable Care Act Survival Kit,” which remains available on the organization’s website, and conducted a series of well-attended webinars to help Volunteer Income Tax Assistance and Tax Counseling for the Elderly volunteers understand the ACA-related tax provisions.

States also instituted a variety of other strategies to prepare for and address consumers’ questions:

- **Training all consumer assisters and stakeholders.** States conducted a variety of trainings for multiple audiences, including internal staff, navigators, in-person assisters, brokers, health plans, and tax preparers. Marketplaces received feedback that these trainings were very informative and many plan to facilitate similar training sessions and webinars in future years.
- **Including a cover letter with the 1095-A form.** Most states included a cover letter to describe what the 1095-A form was and how to use it; some states provided the cover letter in multiple languages, either as part of the mailing or online. Several states indicated they will update their cover letters for next year with more specificity.
- **Engaging on social media.** One marketplace official noted that consumers had begun asking where to find their 1095-A forms on the marketplace’s Facebook page prior to distribution, so officials began posting updates and explanations on Facebook.

Establishing partnerships with federal agencies

In addition to providing a 1095-A form to enrollees, marketplaces were required to report enrollment information through monthly and annual data transfers primarily to the IRS, though secondarily as well to the Centers for Medicare and Medicaid Services (CMS). To prepare states for the reporting requirements and to address new issues as they arose, the IRS policy and technical teams together conducted bi-weekly workshops with SBMs. Interviewees reported that these workshops were very informative and, across the board, praised the IRS staff for their timely responses to questions and their flexibility to develop workarounds and solutions to problems. While states had much less need to interact with CMS during the tax season, states also indicated that CMS was available as necessary, and, for California, reviewed consumer notices to provide constructive feedback. States identified the following areas where improvements could benefit states' planning and processes:

- **Communicating changes in IRS policy that directly affect marketplace enrollees.** Marketplace officials pointed out that the IRS made a number of changes during the tax filing season aimed at ensuring the season went relatively smoothly despite the challenges associated with implementing the 1095-A requirements for the first time. These included eventually giving consumers the flexibility to decide whether to refile their taxes after receiving corrected forms. While the agency's nimble approach was credited with easing the tax filing system and year one challenges, it also increased the importance of timely, clear communication between marketplaces and the IRS. While this timely and clear communication will be important in future years, over time, as people become more accustomed to the ACA-related tax filing implications, the IRS is likely to provide less flexibility and have higher expectations. Marketplaces, other entities creating 1095 forms, and tax filers may wish to assume deadlines and requirements will remain more rigid in the future.
- **Providing clarity on outstanding areas of uncertainty.** Marketplace officials noted that despite efforts to communicate throughout the tax season, there were areas of confusion that remained, regarding both the conclusion of the 2014 tax season and looking ahead to next year's requirements. For example, one state was interested in receiving clarification on outstanding issues related to SHOP marketplaces that the IRS had not yet addressed.
- **Aligning technical reporting requirements across agencies.** States expressed concern regarding the differing reporting requirements used by the IRS and CMS, noting that transmissions were, at times, accepted by one agency but rejected by the other. Aligning the requirements between the two agencies would enable states to more efficiently prepare one transaction for both agencies.
- **Greater accessibility to IRS notices and procedures.** Some enrollees sought assistance from marketplace call centers when the IRS could not process their tax returns, but marketplace officials were unable to identify any reason associated with the 1095-A for the issue. States wanted to better understand what barriers were preventing the tax returns from being processed and wished to be in communication with the IRS in order to provide assistance either directly to the consumer or to the IRS. Though the IRS makes its consumer notices available on its website, many states were not made aware of this resource and felt it would be valuable to see advanced copies of notices sent to tax filers regarding their 1095-As, as well as to receive updates from the IRS on planned correspondence with tax filers that might trigger calls to the marketplace call center.

STATES OUTLINED THE FOLLOWING REQUESTS AND RECOMMENDATIONS OF THE IRS AND/OR CMS TO STRENGTHEN THEIR RELATIONSHIPS AND CLARIFY OUTSTANDING QUESTIONS:

- IRS and CMS:
 - Provide timely, clear, written communication of changes in policy or processes during the tax season;
 - Jointly update, and provide in consolidated written guidance, all policy and technical requirements that were developed and communicated during the 2014 tax season; and
 - Align technical reporting requirements to enable efficient state data transfers.
- IRS:
 - Provide marketplaces with copies of the consumer communications sent to 1095-A form recipients;
 - Dedicate additional resources, and possibly a phone line, to consumers with 1095 forms and/or marketplace consumer assistance representatives.

Implications for future tax seasons

The roll out of 1095-As was another “first ever” challenge for marketplaces and, in the process, they identified important lessons and opportunities that can assist marketplaces in the future, as well as the issuers, state and federal agencies, employers, and others now charged with issuing the new IRS forms needed to administer the individual shared responsibility requirement and the large employer responsibility requirement. For those newly charged with distributing ACA reporting forms, key lessons applicable to all 1095 reporting requirements include the following:

- **Prepare as early as possible.** It is critical to allow significant time to test the technology needed to submit the forms, the integrity of the data and communications strategies, and to develop relationships with key partners.
- **Adopt a proactive strategy to check and verify data well in advance of when the forms must be sent.** Because the data will be used by the IRS to administer tax provisions, it is “high stakes” data that needs to be accurate and reliable. It is important to anticipate that some data that seems straightforward and easy to report may be more difficult than expected; for example, Medicaid agencies will need to establish which groups of beneficiaries receive minimum essential coverage (e.g., beneficiaries who receive a benefit package limited to family planning services do not meet these requirements).
- **Anticipate the need for a corrections process.** Especially in year one of implementation, there almost certainly will be errors in the initial forms, making it critical to have a well-developed process in place for identifying errors, alerting consumers when they occur; creating a mechanism by which consumers can seek corrections if necessary; resolving any disputes about the correct data to be used; and educating consumers about how to respond if they receive a corrected form.
- **Prepare for consumers’ calls and questions.** While it is imperative to avoid giving out tax advice, marketplaces, issuers, and employers charged with submitting ACA tax reporting forms should anticipate that consumers will call them with questions. It is important to have a strategy for minimizing unnecessary questions, as well as for responding to those that need to be answered. Strategies can include taking proactive steps to reduce questions by sending cover letters with the forms that direct consumers how to use them and where to go for help; providing training to appropriate staff to quickly and easily answer the most simple questions that stop short of providing tax advice; and developing relationships with the tax preparation community and other services to whom a customer can be handed off when they require tax advice.
- **Prepare for the IRS adopting policy changes if critical to allow for a successful filing season.** As noted above, the IRS issued some guidance during the 2014 tax filing season aimed at easing filing requirements for consumers faced with changes in the data available on their 1095-A forms. To the extent that similar issues arise in the upcoming tax season, marketplaces and other entities responsible for developing a 1095 form should anticipate that they may again see timely, short-term shifts in IRS administration policy that may need to be communicated with consumers.
- **Establish a “best practices” network or other forum for sharing strategies.** In the marketplace context, the Robert Wood Johnson Foundation’s *State Health Reform Assistance Network* served as one of few sources for SBMs to exchange notes, identify issues and possible responses, and even share training materials, cover letters, and other tools to ease implementation of the 1095-A reporting process.
- **Anticipate new challenges associated with consumers receiving multiple forms.** In the 2014 tax season, approximately 4.5 million households received 1095-A forms, but, in the upcoming season, estimates indicate that hundreds of millions of 1095 forms will be distributed and that many people will receive multiple forms. People may require additional assistance determining how to navigate multiple 1095 forms, such as if they were enrolled in both Medicare and Medicaid, if they switched from marketplace to Medicaid coverage over the course of a year, or if they and their employer differ as to whether the employer offered affordable coverage. To prepare, form issuers may wish to incorporate into their consumer education efforts a general discussion of why someone might receive multiple forms and where to go if they have detailed questions.
- **Special opportunities for Medicaid and Children’s Health Insurance Program (CHIP) agencies.** Medicaid and CHIP agencies will face many of the same challenges as other form issuers, but, also some unique challenges and opportunities given the nature of Medicaid coverage. For example, the availability of retroactive eligibility for Medicaid in most states means that they can never fully avoid the need to send corrected forms (e.g., if someone who enrolls in Medicaid in January 2016 is found retroactively eligible for Medicaid in 2015, they will need to send a corrected form for tax year 2015 reflecting coverage in the last two months of 2015). Notably, however, some state Medicaid and CHIP agencies are

in a unique position to work closely with their marketplace. For example, they may already have call centers that serve both Medicaid/CHIP and marketplace enrollees, making it easier to coordinate education efforts and consumer assistance across the 1095-A and 1095-B forms. They may even have a single eligibility and enrollment system that could be used to simultaneously mail forms to families receiving both a 1095-A and a 1095-B, such as if the parents are enrolled in the marketplace and the children in Medicaid or CHIP.

Conclusion

While not without challenges, marketplaces were able to substantially fulfill their obligation to provide consumers with the data needed to receive and reconcile premium tax credits for the first time in the 2014 tax season. They succeeded using a range of practical strategies that emphasized educating consumers, preparing technically, anticipating issues, developing contingency plans, and working collaboratively to share promising practices and troubleshooting strategies. In the weeks and months ahead, these approaches may offer useful insights to the issuers, government agencies, employers, and others newly facing responsibilities to meet ACA tax reporting requirements.

¹ The IRS used Form 1095-A to administer the ACA's premium tax credit in tax year 2014, and, in future years, it will use data from the form to administer the individual shared responsibility payment on behalf of marketplace enrollees. The federally-facilitated marketplace and each state-based marketplace must send a 1095-A to all marketplace beneficiaries enrolled in an individual QHP for which a premium tax credit might be available on or before January 31 of the following year. (Individuals with catastrophic plans and small employees enrolled in a Small Business Health Options Program (SHOP) plan do not receive a 1095-A.) The form contains key enrollment information, including information about the policyholder and plan members (name, address, date of birth, etc.), coverage start and end dates, monthly premium, issuer name, amount of monthly advanced premium tax credits (APTCs) (if applicable), and benchmark plan premium used to calculate APTC payments (if applicable). The information is needed by marketplace enrollees to claim the premium tax credit or, if someone received an advanced premium tax credit, to conduct reconciliation. They must use the information in Form 1095-A to fill out Tax Form 8962 and file it with their tax return. If an individual fails to file taxes and conduct reconciliation, it will result in his/her ineligibility for a tax credit in the year following.

² Internal Revenue Service Commissioner Letter to Congress, Released July 21, 2015. <http://www.irs.gov/pub/irs-utl/CommissionerLetterwithcharts.pdf>. The number of individuals covered by the 4.8 million forms was assumed based on the author's estimate that 4.5 million 1095-A forms cover approximately 7 million individuals.

³ Beginning with tax year 2015, issuers of minimum essential coverage are required to submit Form 1095-B to enrollees on or before January 31, 2016, with a copy to the IRS to allow the agency to oversee implementation of the individual shared responsibility requirement. The form will contain key enrollment information on the months in which individuals had coverage that meets "minimum essential coverage" standards. Major entities required to submit this form include insurance companies, government agencies, such as state Medicaid and Children's Health Insurance (CHIP) agencies, and some employers.

⁴ Large employers (50 or more full-time employees) are required to submit a Form 1095-C to each employee and a related Form 1094-C with summary information on the employer to the IRS with data needed to administer the large employer responsibility requirement. The forms also may be used to determine the eligibility of individual employees for premium tax credits based on whether they have an offer of affordable employer-sponsored coverage meeting minimum value standards. The Form 1095-C will contain information on offers of coverage, the cost of offered coverage, and additional information needed by the IRS to assess whether an employer is subject to a penalty. For large employers that are self-insured, the form also contains a Part III that provides month-by-month information on an employee's and related household members' enrollment in coverage. For these employers, Part III of 1095-C replaces the obligation to submit the 1095-B data that otherwise would be needed to administer the individual shared responsibility requirement.

⁵ Internal Revenue Service Commissioner Letter to Congress, Released July 21, 2015. <http://www.irs.gov/pub/irs-utl/CommissionerLetterwithcharts.pdf>

⁶ US Government Accountability Office. *Patient Protection and Affordable Care Act: IRS Needs to Strengthen Oversight of Tax Provisions for Individuals*. GOA Pub 15-540. Washington: US Gov Accountability Office; 2015. <http://www.gao.gov/products/GAO-15-540>

⁷ Treasury Inspector General for Tax Administration. *Affordable Care Act: Interim Results of the Internal Revenue Service Verification of Premium Tax Credit Claims*. TIGTA Pub 2015-43-057. Washington: Treasury Inspector General for Tax Administration; 2015. <https://www.treasury.gov/tigta/auditreports/2015reports/201543057fr.html>

⁸ Internal Revenue Service Commissioner Letter to Congress, Released July 21, 2015. <http://www.irs.gov/pub/irs-utl/CommissionerLetterwithcharts.pdf>

⁹ The Washington Health Benefit Exchange was responsible for collecting premiums during coverage years 2014 and 2015; however, after conducting a thorough analysis of its processes, the Exchange Board voted to remove the functionality from the system for coverage year 2016 and join most of their fellow SBMs and the FFM in relying on carriers to handle premium payments. <http://www.wahbexchange.org/washington-healthplanfinder-announces-premium-payment-change-for-customers/>

¹⁰ If a form issuer wants to substitute electronic forms for a mailing, it must meet strict IRS rules, which among other conditions, requires that the beneficiary must affirmatively consent to receive it electronically. See 26 CFR 1.6055-2, 26 CFR 1.6056; 79 Fed. Reg. 13231 (March 2014), 79 Fed. Reg. 13226 (March 2014).

¹¹ Recipients of APTCs receive a 90-day "grace period" for premium payment, during which time, if they do not pay their premiums, the law requires marketplace carriers to maintain coverage. If the enrollee does not pay their premiums by the end of the grace period, they are terminated retroactively to the end of the first month of the grace period. Marketplaces that do not collect premiums do not know when someone is in a grace period. Therefore, an APTC recipient in their grace period at the end of 2014 may appear covered at the time the marketplace generates the 1095-A form. Later, a carrier may send updated information to the marketplace indicating a retroactive termination, which would trigger the marketplace requirement to generate and send a corrected 1095-A form.

¹² The monthly premiums listed on Form 1095-A only incorporated the costs for essential health benefit (EHB) services. In states where qualified health plans offered other benefits in addition to EHBs, the premiums on enrollees' monthly bills may appear slightly higher than the premium reflected on Form 1095-A.

¹³ Benchmark plan information was required on the form to enable the IRS to reconcile premium tax credits received with those owed at the end of the year. While marketplaces were required to fill in this information for APTC recipients, they were only required to make the information available for those paying full price for the QHP, to permit those individuals to fill in that information themselves.