Affordable Care Act (ACA): Properly Reporting COBRA Continuation Coverage

Keeping up with the many rules and regulations of the ACA can be challenging for any employer. It can get particularly challenging to understand COBRA rights and how to properly report a continuation of coverage on Form 1095-C.

It is important to keep in mind that only employers with **self-insured** plans are required to report COBRA coverage. The insurance carrier is responsible for reporting COBRA coverage for employers with fully-insured plans.

This guide will discuss a few of the more confusing COBRA scenarios and how they should be coded on Form 1095-C.

Common COBRA Scenarios

The two most common COBRA scenarios are as follows:

- 1st Scenario: An employee terminates employment and is offered COBRA upon termination
- 2nd Scenario: An employee is laid off or goes from full-time to part-time, resulting in a reduction in hours and is offered COBRA

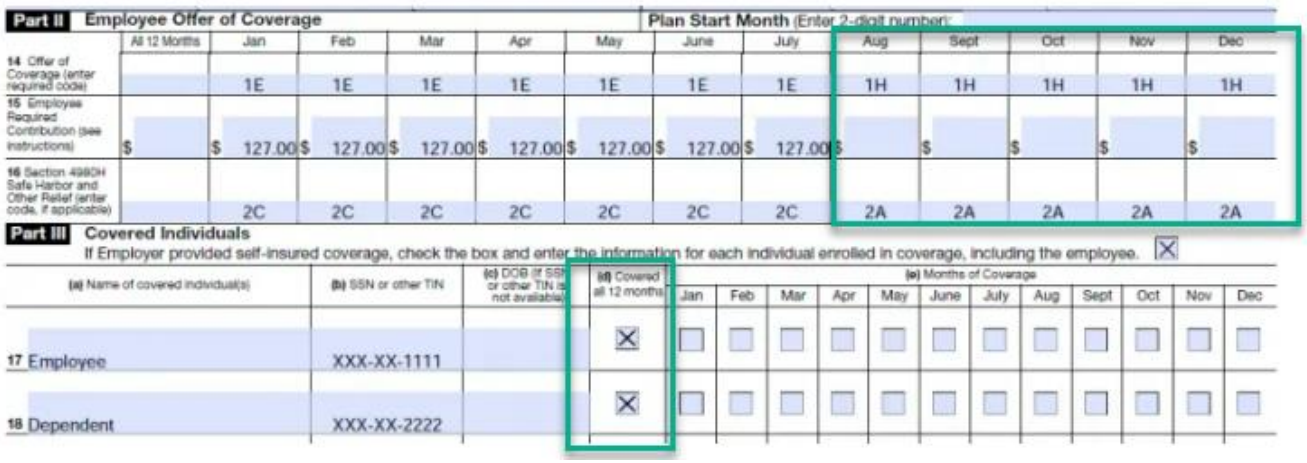
The instructions for Form 1095-C clearly state that an employee who is offered COBRA due to termination must be reported differently than an active employee who receives a COBRA offer due to a reduction in hours.

COBRA Offered Upon Termination Coding **Self-Insured Plans Only**

Based on the IRS instructions, an employee who elects COBRA upon termination is never reported as an offer of coverage. So essentially, this scenario is coded the same way as a regular terminated employee and the COBRA coverage will not be reflected on Part II "Employee Offer of Coverage" section of Form 1095-C.

In this example, the employee was full-time January through July and was offered COBRA in August due to termination of employment. The 1095-C should be coded as follows starting the month *after* termination:

- Line 14 – Always use code 1H (No Offer of Coverage).
- Line 15 – Blank.
- Line 16 – Code 2A (Employee not employed during the month) should be used.
- Part III – Should indicate which months the employee & the employee's dependents were covered, both under the employer's health plan and COBRA. The employer should continue to report until COBRA coverage is terminated.



Part II Employee Offer of Coverage — Plan Start Month (Enter 2-digit number):

	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)		1E	1E	1E	1E	1E	1E	1E	1H	1H	1H	1H	1H
15 Employee Required Contribution (see instructions)	$	$ 127.00	$ 127.00	$ 127.00	$ 127.00	$ 127.00	$ 127.00	$ 127.00	$	$	$	$	$
16 Section 4980H Safe Harbor and Other Relief (enter code, if applicable)		2C	2C	2C	2C	2C	2C	2C	2A	2A	2A	2A	2A

Part III Covered Individuals

If Employer provided self-insured coverage, check the box and enter the information for each individual enrolled in coverage, including the employee. ☒

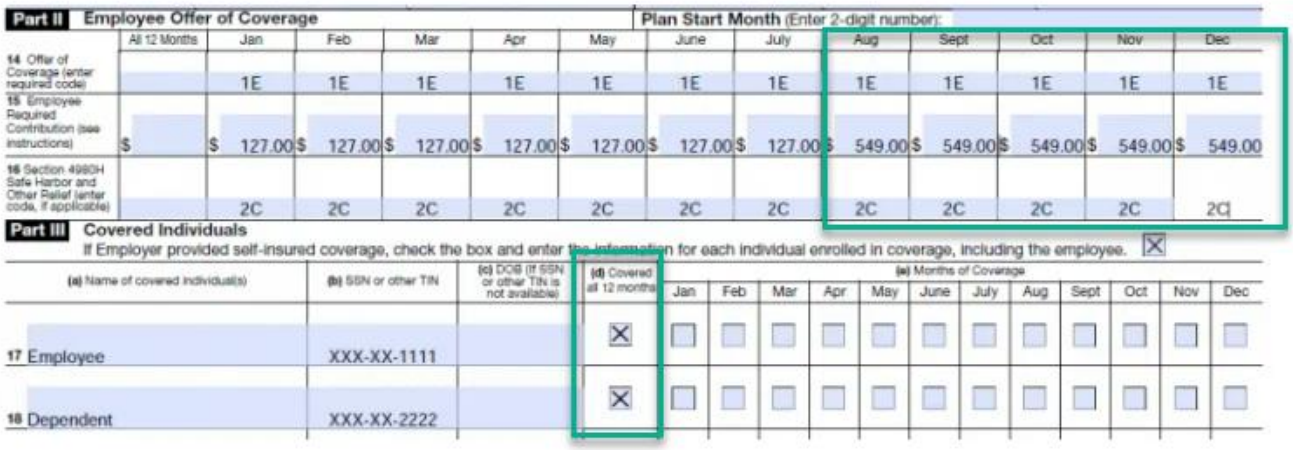
(a) Name of covered individual(s)	(b) SSN or other TIN	(c) DOB (if SSN or other TIN is not available)	(d) Covered all 12 months	(e) Months of Coverage: Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
17 Employee	XXX-XX-1111		☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
18 Dependent	XXX-XX-2222		☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

COBRA Offered Due to a Reduction in Hours **Self-Insured Plans Only**

An employee who remains employed but is offered COBRA due to work hours being reduced, should always be reported as an offer of coverage. The rules for this scenario are the complete opposite of the rules for terminated employees. The instructions state that the codes remain the same as an active employee's codes.

In this example, the employee lost eligibility due to a reduction in hours. COBRA was offered to the employee and the employee's spouse and dependents. They elected to enroll in COBRA starting in August. The 1095-C should be coded as follows starting the first month of COBRA coverage:

- Line 14 – 1E should be used since COBRA was offered to the employee, spouse, and dependents.
- Line 15 – Enter the lowest COBRA cost for self-only coverage starting the month that COBRA is elected.
- Line 16 – Code 2C can be used since the employee elected COBRA, which indicates the employee enrolled.
- Part III "Covered Individuals" – This section should include all enrollees including the employee and dependents.



Part II Employee Offer of Coverage — Plan Start Month (Enter 2-digit number):

	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)		1E	1E	1E	1E	1E	1E	1E	1E	1E	1E	1E	1E
15 Employee Required Contribution (see instructions)	$	$ 127.00	$ 127.00	$ 127.00	$ 127.00	$ 127.00	$ 127.00	$ 127.00	$ 549.00	$ 549.00	$ 549.00	$ 549.00	$ 549.00
16 Section 4980H Safe Harbor and Other Relief (enter code, if applicable)		2C	2C	2C	2C	2C	2C	2C	2C	2C	2C	2C	2C

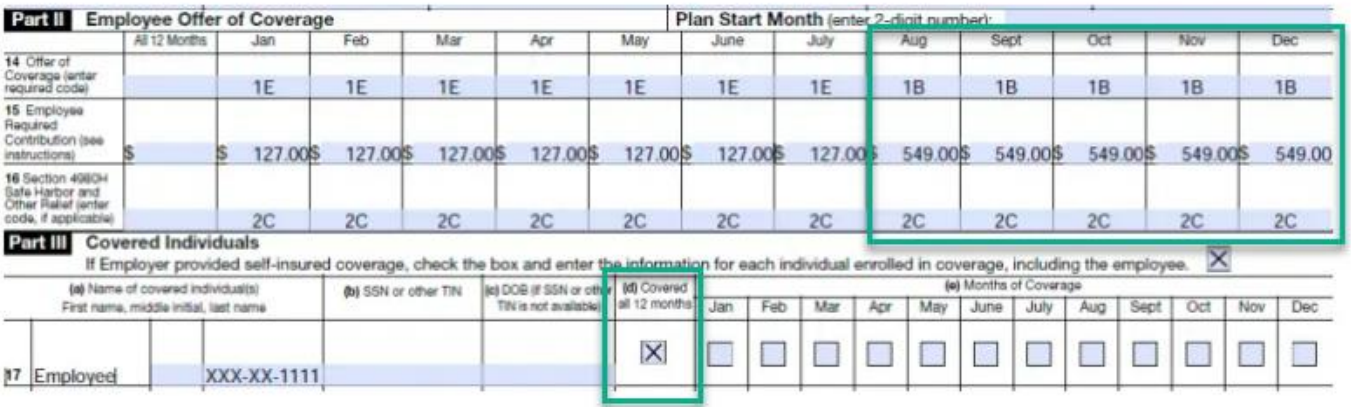
Part III Covered Individuals

If Employer provided self-insured coverage, check the box and enter the information for each individual enrolled in coverage, including the employee. ☒

(a) Name of covered individual(s)	(b) SSN or other TIN	(c) DOB (if SSN or other TIN is not available)	(d) Covered all 12 months	(e) Months of Coverage Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
17 Employee	XXX-XX-1111		☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
18 Dependent	XXX-XX-2222		☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

In the example below, the employee was enrolled in a MEC plan with MV, but lost eligibility due to a reduction in hours. COBRA was offered to the employee, but **not** their dependents. The employee chose to enroll in COBRA starting on August on 1st. The 1095-C should be coded as follows starting the first month of COBRA coverage:

- Line 14 –1B should be used starting in August since COBRA was ONLY offered to the employee.
- Line 15 – Enter the lowest COBRA cost for self-only coverage starting the month that COBRA is elected.
- Line 16 – Code 2C should be used since the employee elected COBRA, which indicates the employee enrolled.
- Part III "Covered Individuals" – This section should include the employee only



Part II Employee Offer of Coverage — Plan Start Month (enter 2-digit number):

	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)		1E	1E	1E	1E	1E	1E	1E	1B	1B	1B	1B	1B
15 Employee Required Contribution (see instructions)	$	$ 127.00	$ 127.00	$ 127.00	$ 127.00	$ 127.00	$ 127.00	$ 127.00	$ 549.00	$ 549.00	$ 549.00	$ 549.00	$ 549.00
16 Section 4980H Safe Harbor and Other Relief (enter code, if applicable)		2C	2C	2C	2C	2C	2C	2C	2C	2C	2C	2C	2C

Part III Covered Individuals

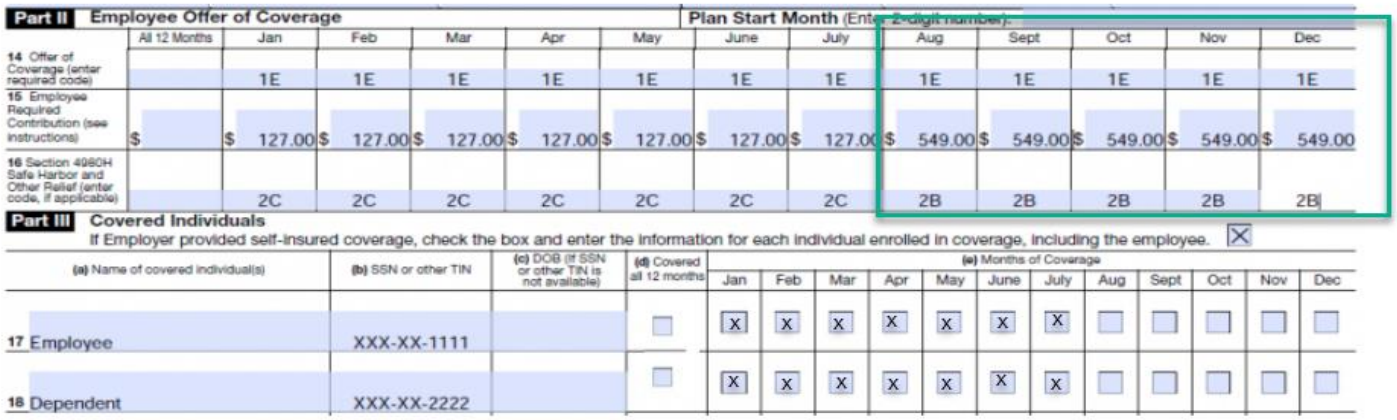
If Employer provided self-insured coverage, check the box and enter the information for each individual enrolled in coverage, including the employee. ☒

(a) Name of covered individual(s) First name, middle initial, last name	(b) SSN or other TIN	(c) DOB (if SSN or other TIN is not available)	(d) Covered all 12 months	(e) Months of Coverage Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
17 Employee	XXX-XX-1111		☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

COBRA Offered Due to a Reduction in Hours **Self-Insured Plans Only* (Cont.)*

In this example, the employee lost eligibility due to a reduction in hours and COBRA was offered to the employee, spouse, and dependents. The employee chose to **waive** COBRA starting on August 1st. The 1095-C should be coded as follows starting the first month of the COBRA offering:

- Line 14 –1E should be used since COBRA was offered to the employee, spouse, and dependents, even if the employee chose to waive.
- Line 15 – Enter the lowest COBRA cost for self-only coverage. This line should show an increase in cost starting in August.
- Line 16 – Code 2B (Not a full-time employee) should be used since the employee waived COBRA, indicating the employee was no longer eligible for coverage.
- Part III "Covered Individuals" – This section should indicate only the months coverage was elected.



Part II Employee Offer of Coverage — Plan Start Month (Enter 2-digit number):

	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)		1E	1E	1E	1E	1E	1E	1E	1E	1E	1E	1E	1E
15 Employee Required Contribution (see instructions)	$	$ 127.00	$ 127.00	$ 127.00	$ 127.00	$ 127.00	$ 127.00	$ 127.00	$ 549.00	$ 549.00	$ 549.00	$ 549.00	$ 549.00
16 Section 4980H Safe Harbor and Other Relief (enter code, if applicable)		2C	2C	2C	2C	2C	2C	2C	2B	2B	2B	2B	2B

Part III Covered Individuals

If Employer provided self-insured coverage, check the box and enter the information for each individual enrolled in coverage, including the employee. ☒

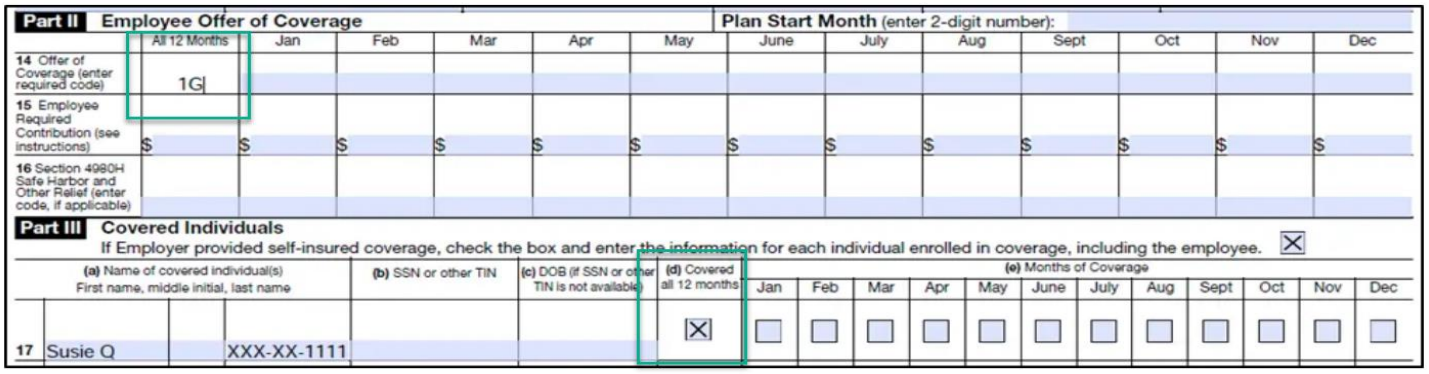
	(a) Name of covered individual(s)	(b) SSN or other TIN	(c) DOB (if SSN or other TIN is not available)	(d) Covered all 12 months	(e) Months of Coverage Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
17	Employee	XXX-XX-1111		☐	X	X	X	X	X	X	X	☐	☐	☐	☐	☐
18	Dependent	XXX-XX-2222		☐	X	X	X	X	X	X	X	☐	☐	☐	☐	☐

COBRA Offered to Non-Employees

This final scenario will show COBRA that is offered to an employee who terminated in a prior year, also referred to as a non-employee. An employee who was terminated during a prior year can remain on COBRA for years after their termination. The example below will show how the 1095-C form should be coded for an employee who terminated in a previous year (non-employee) but remained enrolled in COBRA.

In this example, the employee terminated in 2021, but remained enrolled in COBRA for all of 2022. The 1095-C should be coded as follows:

- Line 14 – Should show code 1G (Offer to Non-Employee) * Code 1G applies for the entire year or not at all.
- Line 15 – Should be blank.
- Line 16 – Should be blank.
- Part III – Should be completed for each enrollee. Keep in mind that this section must be completed for non-employee as well.



Part II Employee Offer of Coverage — Plan Start Month (enter 2-digit number):

	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)	1G												
15 Employee Required Contribution (see instructions)	$	$	$	$	$	$	$	$	$	$	$	$	$
16 Section 4980H Safe Harbor and Other Relief (enter code, if applicable)													

Part III Covered Individuals

If Employer provided self-insured coverage, check the box and enter the information for each individual enrolled in coverage, including the employee. ☒

	(a) Name of covered individual(s) First name, middle initial, last name	(b) SSN or other TIN	(c) DOB (if SSN or other TIN is not available)	(d) Covered all 12 months	(e) Months of Coverage Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
17	Susie Q	XXX-XX-1111		☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐