

Does Your Company Need to File Form 1095-B?

Updated for Tax Year 2014

OVERVIEW

A company is responsible for filing IRS Form 1095-B only if two conditions apply: It offers health coverage to its employees, and it is "self-insured." This means that the company itself pays its employees' medical bills, rather than an insurance company. A company that doesn't meet both conditions won't have to deal with Form 1095-B. Its employees might still receive a 1095-B, but from their insurer, not the employer.

The role of the 1095-B

The IRS created Form 1095-B to fulfill the requirements of the Affordable Care Act (<https://turbotax.intuit.com/tax-tools/tax-tips/Health-Care/Affordable-Care-Act-Decoded/INF26150.html>), also known as Obamacare. That law requires Americans to have basic level of health insurance in place, referred to as minimum essential coverage (<https://turbotax.intuit.com/tax-tools/tax-tips/Taxes-101/How-to-Determine-if-You-Have-Minimum-Essential-Coverage--MEC-/INF27672.html>). Those who don't have such insurance may be required to pay a penalty.



Whoever provides minimum essential coverage to an individual is required to send that person a copy of **Form 1095-B** (<https://turbotax.intuit.com/tax-tools/tax-tips/Health-Care/What-is-Form-1095-B--Health-Coverage/INF27802.html>), or in the case of large employers, **Form 1095-C**, and to send the same information to the IRS. The form provides details about the coverage, including who in the individual's household was covered and when. The 1095-B forms became mandatory beginning in the 2015 tax year.

Sponsors vs. providers

Under federal regulations, it is the responsibility of insurance "providers" to send out 1095-B forms. But there's a vitally important distinction between "sponsors" of health coverage and "providers."

- A **sponsor** is whoever arranges the health coverage. When people get health coverage through a job, the employer is the sponsor.
- A **provider**, on the other hand, is a company or organization that actually pays the bills.
 - Often, that's an insurance company, in which case the insurer must send out the 1095-B form.
 - A self-insured employer is both the sponsor and the provider; in that case, the employer would send out the 1095-B.

How self-insurance works

Usually, when a company provides health insurance to its employees, it does so through a group insurance policy. The employer and employees pay premiums to the insurance company, and the insurer pays the workers' medical bills (minus deductibles, co-pays and other out-of-pocket expenses).

Some employers, though, would prefer to just pay the bills themselves rather than pay premiums to a health insurance company-- that is, to self-insure. Reasons for doing so include:

- Gaining more flexibility in designing coverage for employees
- Saving money on upfront premiums
- Avoiding state taxes on premiums
- Opting to for federal regulation over state regulation, as self-insured health plans are governed by federal rules, not state rules

Self-insured companies often hire an outside company -- perhaps even an insurance company -- to administer their health benefits. But the insurance provider is the employer itself, in which case it is ultimately responsible for the 1095-B.

Combining B and C on one form

A separate provision of the Affordable Care Act requires certain employers to sponsor health coverage for their workers. In general, any company with 50 or more employees, also known as Applicable Large Employers (ALEs) under the health care law, must offer minimum essential coverage. These companies are required to send their employees and the IRS a different form, called the **1095-C**, detailing the coverage that the company made available.

Self-insured companies with more than 50 employees, then, are actually required to send covered workers both a 1095-B and a 1095-C. In such cases, the law allows the employer to combine the information onto **a single 1095-C form**.

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