

The IRS offers specific guidance regarding reporting for individuals who are inactive due to termination, retirement, or other reason and are enrolled in employer-sponsored self-insured health plans. This document provides answers to frequently asked questions about non-employee reporting for individuals offered and enrolled in employer-sponsored self-insured health plans.

Who is a non-employee?

For this purpose, any individual who is not actively employed but is offered coverage through an employer-sponsored health plan or an individual coverage HRA is considered a non-employee (e.g. former employees who terminated employment during a previous year, non-employee directors, COBRA beneficiaries, retirees, board members, etc.).

When do employers have to report coverage for non-employees and COBRA participants?

If a non-employee is offered and enrolls in employer-sponsored self-insured coverage, the coverage sponsor (former employer) may report this information on either Form 1095-C or 1095-B to satisfy reporting requirements under section 6055. Additionally, if an active employee loses health coverage due to a reduction in hours, an offer of COBRA coverage is always reported, regardless of whether the plan offered is self-insured or fully insured.

What form should I use to report non-employee coverage?

The IRS has stated either Form 1095-C or 1095-B can be used for non-employee reporting. In most cases, Health e(fx) uses Form 1095-B to report non-employee coverage. However, if an individual transitions from employee to non-employee status during the current reporting year, Health e(fx) will report coverage on Form 1095-C.

How do I report coverage for an employee who terminates employment?

If an employee is not active for any day of the calendar year, Health e(fx) will report enrollment in an employer-sponsored self-insured plan on Part IV of Form 1095-B.

If the employee is terminated during the calendar year, the COBRA qualifying event is not reported as an offer of coverage on Form 1095-C. Instead, codes 1H and 2A in Part II, Lines 14 and 16 respectively, will be used. The former employee or their dependents' enrollment information will be captured on Part III of Form 1095-C.

How do I report a loss of coverage due to reduction in hours?

Unlike a termination of employment, if an employee loses health coverage due to a reduction in hours, the resulting offer of COBRA coverage **is reported as an offer of coverage** in Part II of Form 1095-C. Line 14 will reflect the employee's elected coverage. Line 15 will reflect the COBRA premium for the lowest cost self-only plan. If the employee enrolled in COBRA coverage, code 2C can continue to be used on line 16. If the employee did not elect COBRA, line 16 will either be left blank (most common) or coded with the appropriate affordability safe harbor should the COBRA premium be deemed affordable under section 4980H. Any of the former employee or his/her dependents' enrollment information will be captured in Part III of Form 1095-C.

How do I report coverage of a family member who independently elects COBRA?

Every individual who loses coverage due to a qualifying event has an independent right to elect COBRA. In situations where an employee or former employee does not elect coverage, but a spouse or dependent does, Health e(fx) will either report the elected coverage on Part III of the employee's Form 1095-C or on Part IV of Form 1095-B, depending on the specific scenario.

For detailed information on all reporting, be sure to visit [IRS.gov](https://www.irs.gov) for more information on COBRA retiree reporting and eligibility.