



ACA Compliance Guidelines for Employers: A Guide for 2025

In 2010, the passage of the Affordable Care Act (ACA) increased the access to healthcare coverage for Americans who were uninsured or underinsured. Since then, the ACA has been the law of the land governing healthcare coverage.



While the basics of this healthcare reform law have remained unchanged, the requirement to automatically deliver the 1095-C to every employee was altered late in 2024, when President Biden signed the Paperwork Burden Reduction Act. The passage of the act allows employers to provide the 1095-C on a per request basis, as long as the employer provides a clear and conspicuous notice as to how to make the request. Forms must then be provided within 30 days of the request or by January 31, whichever is later. There are also timing requirements which require an employer to keep the access information posted from the deadline for paper form distribution, (which was March 3rd this year), through October 15th annually. The IRS bulletin clarifying these changes can be found here: <https://www.irs.gov/pub/irs-drop/n-25-15.pdf>. While this was a one-time, significant changes, it is important to note there are additional modifications that change compliance regulations each year or every few years, particularly changes to the affordability threshold, minimum wage adjustments and premiums.

In 2025, the landscape is no different, and there are several updates in addition to the change in delivery requirements that employers need to be aware of to ensure they're abiding by federal regulations and providing their employees with access to affordable health insurance coverage. Adhering to these guidelines ensures you don't break any stipulations that can result in fines, penalties, or tangential consequences like decreased employee satisfaction or a negative brand image.

In this guide, we'll discuss the ins and outs of the Affordable Care Act, including requirements, the latest changes and updates, reporting best practices, and more.



Overview of ACA Requirements

The Affordable Care Act imposes requirements on employers to ensure they're offering their employees access to reliable and affordable health insurance. Understanding these requirements is essential to remaining compliant with the latest ACA regulations while ensuring your staff can access health insurance at a manageable cost. To get started, there are several [key terms](#) employers should be aware of to understand the language centered around the ACA, including:

- **Full-time equivalent (FTE) employees:** The ACA defines a full-time employee as a staff member who works at least 30 hours per week or at least 130 hours per month. This calculation is used to determine whether that employee helps an employer qualify as an applicable large employer, as well as the equivalent number of part-time employees.
- **Applicable large employer (ALE):** An applicable large employer is an employer who meets the criteria specified by the ACA for providing health insurance coverage to its employees. An ALE is an employer with at least 50 full-time employees, including full-time equivalent employees, during the previous calendar year. Employers who meet the criteria for being an ALE are subject to shared responsibility provisions, known as the employer mandate, which requires them to provide affordable health insurance coverage that provides minimum value to their full-time employees and their dependents. Failing to do so can result in penalties.
- **Minimum essential coverage (MEC):** Minimum essential coverage refers to the type of health insurance coverage that individuals must maintain to comply with the individual mandate provisions of the ACA. There are various types of health insurance coverage, such as employer-sponsored plans, government-sponsored plans like Medicare or Medicaid and plans purchased through the Health Insurance Marketplace. Individuals who fail to maintain MEC for themselves and their dependents may be subject to penalties.

To understand what goes into determining whether an employer is considered an ALE, let's look at an example. Let's say that Company X has 40 full-time employees and 25 part-time employees who work 100 hours each month. In this scenario, the IRS will consider "Company X" to have 60 full-time equivalent employees.

Here's how:

- Company X totals the service hours for all part-time employees (25 part-time employees x 96 hours each = 2,400 hours).
- Company X then divides the total number of hours its part-time employees worked by 120 to get 20, which is the number of full-time equivalent employees for each month of the corresponding calendar year (2,400 hours / 120 hours = 20 full-time equivalent employees).
- Company X then totals the number of full-time employees for the calendar year (40 x 12 = 480).
- Company X totals the full-time equivalent employees for the calendar year (20 x 12 = 240).
- Company X adds the two numbers and divides by 12 to get 60 [(480 + 240 = 720) / 12 = 60]
- Overall, Company X has 65 employees (40 full-time and 25 part-time) for each month of the calendar year and 60 full-time employees for ALE determination due to the number of hours worked by full-time equivalent employees.

If an employer is determined to be an ALE, they must adhere to the IRS' reporting requirements. ALEs must file [Form 1095-C, Employer-Provided Health Insurance Offer and Coverage](#), and [Form 1094-C, Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns](#) each calendar year for its full-time employees. Additionally, in previous years, if an employer filed 250 or more information returns for a calendar year, the IRS required them to file electronically through the [ACA Information Returns \(AIR\) program](#). In 2024, the IRS reduced this number significantly to 10 to encourage ALEs to submit these forms electronically.



Changes and Updates in 2025

If you're considered to be an Applicable Large Employer, it's crucial to stay up to date on the latest ACA legislation to ensure you're remaining compliant. For 2025, several updates to the ACA were rolled out, in addition to delivery methodology changes.

In its [latest statement](#), the IRS outlined an alternative manner of furnishing certain health insurance coverage statements. The requirement to furnish the statement generally is satisfied if the reporting entity provides clear and conspicuous notice, in a location on its website that is reasonably accessible to all responsible individuals, stating that responsible individuals may receive a copy of their statement upon request. The notice must be timely posted and retained on the website through October 15 of the year following the calendar year to which the statement relates. The regulations further provide that the reporting entity must furnish the statement to a requesting responsible individual within 30 days of the date the request is received.

In order to remain compliant, it's essential for employers to stay informed and adapt to changes in ACA requirements. To do so, employers can utilize [ACA reporting software](#) to complete 1095-B and C forms electronically or via print and mail to meet the necessary deadlines.

There are several compliance strategies employers can also implement to ensure they're staying on top of the latest ACA updates and changes. Conducting internal ACA audits allows employers to assess their ACA compliance by tracking employee hours, verifying eligibility for coverage and ensuring accurate reporting. Additionally, creating a compliance plan that outlines roles, timelines and procedures can help ensure regulatory requirements are met. Additionally, maintaining detailed records of employee data, health insurance offerings and coverage notices creates a clean paper trail of evidence.

If you're deemed an ALE, implementing systems for tracking hours worked by employees allows you to accurately assess whether an employee is considered a full-time equivalent employee that goes toward your ALE status. Once you are considered an ALE, there are several ways to provide affordable health insurance coverage to your employees, such as shopping around for various health insurance plans that meet the ACA requirements for minimum essential coverage, affordability and minimum value. Additionally, considering cost-sharing plans, such as offering high-deductible health plans paired with a health savings account (HSA) or flexible spending account (FSA), can help reduce your health insurance costs while remaining compliant.

Following these strategies and staying vigilant on the latest updates and changes regarding ACA employer requirements allows you to remain compliant while offering your team affordable health insurance coverage that prioritizes their well-being.

Reporting and Documentation Best Practices

Applicable Large Employers must meet reporting and documentation requirements set by the IRS in order to remain compliant. The reporting requirements ALEs must meet include filing IRS Forms 1094-C and 1095-C. Form 1095-C is the federal form ALEs use to report information about each employee's offer of coverage, enrollment status and cost of coverage. IRS Form 1094-C is a transmittal form that summarizes and transmits Forms 1095-C to the IRS. For employers filing by mail for the 2025 tax season, they must meet the deadline of March 3, 2026 to remain compliant.

When it comes to filing Forms 1094-C and 1095-C, there are several best practices employers can follow, including:

- › **Collecting employee data:** ALEs should ensure the accurate collection of employee data, such as hours worked, enrollment status and coverage offers, to determine ACA reporting requirements.
- › **Using the correct codes:** When completing Form 1095-C for each employee, it's crucial for employers to ensure they're using the correct codes to indicate coverage, affordability and coverage status of employees.

- › **Reviewing for accuracy:** Mistakes such as incorrect or missing information can result in penalties and fees, so it's important for employers to review Forms 1094-C and 1095-C before filing to ensure accuracy.
- › **Filing electronically:** Filing electronically through the IRS Affordable Care Act Information Returns (AIR) system can help expedite processing times and offer benefits such as extended deadlines.
- › **Retaining copies:** Retaining copies of 1094-C and 1095-C Forms is a record-keeping best practice that proves useful in the event of an audit.

By following these filing best practices, employers can avoid penalties for non-compliance that can dig into their bottom lines and tarnish their reputation and employee satisfaction. In the following section, we'll explore some of the common non-compliance penalties and how they are enforced.

Penalties and Enforcement

There are several penalties an employer may be subject to, such as employer mandate penalties and reporting penalties. The cost of these penalties can vary depending on specific circumstances and the severity of the issue. Here are the latest [ACA penalties for 2024](#):

- › **4980H(a) Penalty:** Employers failing to offer minimum essential coverage to at least 95 percent of their full-time employees and their dependents can face a penalty of \$2,970 per year (\$247.50 per month).
- › **4980H(b) Penalty:** Employers failing to provide affordable health insurance coverage meeting minimum value standards, or those with employees purchasing subsidized coverage through the marketplace, can face a penalty of \$4,460 per year (\$371.67 per month).



Overall, these penalties increased from 2023, with the 4980H(a) penalty increasing from \$2,880/year (\$240/month) to \$2,970/year (247.50/month), and the 4980H(b) penalty increasing from \$4,320/year (\$360/month) to \$4,460/year (\$371.67/month).

In addition to penalties for failing to comply with the employer mandate, employers can face penalties for failing to meet reporting deadlines. Deadline penalties are enforced under [IRC 6721/6722](#). For 2025, late or incorrect reporting penalties stand at \$310 for 1095-C Forms and \$310 for 1094-C Forms.

If the IRS notices any discrepancies with [ACA reporting](#), they will notify employers by issuing a letter that alerts them of the issue and requests additional information or clarification. Generally, employers will have the opportunity to respond and address any errors or discrepancies with their ACA reporting. However, if non-compliance is detected, the IRS may assess penalties accordingly and provide information to non-compliant employers on the nature of the violation, the penalty amount and payment options.

Impact of ACA Compliance on Employers

Overall, ACA compliance has a significant impact on employers and how they manage their workforce. ACA compliance consists of various costs associated with providing health insurance coverage to employees, along with administrative expenses related to reporting requirements and potential penalties for non-compliance. ACA reporting and compliance requirements can be time-consuming and complicated, so employers must invest in resources that help them navigate this complex landscape. Resources for understanding regulations, tracking employee data, and ensuring accurate reporting can help ensure compliance obligations are met.

Providing employees with affordable and accessible health insurance coverage can come with a wide range of benefits. To start, health coverage enables employees to access preventative care, manage chronic conditions, and address health concerns in a timely manner. In turn, this can help promote improved health outcomes and reduce absenteeism and decreased productivity. Providing wellness programs also helps to reduce overall healthcare costs over the long term and give employers a competitive advantage and attract top talent by fostering a positive company culture.

However, with a regularly changing regulatory landscape, it's crucial for employers to stay informed and adapt to new requirements. With rising healthcare costs comes budget constraints that can pose challenges for employers in providing affordable coverage, so exploring cost-sharing strategies can help manage expenses effectively.



Conclusion: Prioritizing ACA Compliance

Making sure ACA compliance is prioritized is key for employers going in 2025, and beyond. Doing so can help prevent costly penalties that can damage your bottom line and decrease employee satisfaction and brand reputation. Reviewing compliance practices and seeking guidance from ACA professionals can keep you on top of the latest ACA trends and updates. [Contact us today](#) to learn about how Experian Employer Services allows for the timely delivery of ACA reporting statements.