UNDERSTANDING THE AFFORDABLE CARE ACT

What Employers Need to Know for 2015

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Presenters

Overview

Employer Mandate

- Does it apply to us?
- What coverage to offer?
- Who gets coverage?
- What are the penalties?
- Some special considerations
- What should we do now?

EMPLOYER MANDATE

"Pay or play"

Employer Mandate

- Originally scheduled to start in 2014
- Now starts January 2015

Employer Mandate

- Referred to as "shared responsibility"
- That is, responsibility is shared between the employer and the employee

Employer Mandate

So what is it that an employer is required to do, starting in 2015?

Employer Mandate

Employers of 50* or more full-time equivalent employees must offer coverage that is affordable and provides "minimum value" to full-time employees and dependents or face penalties

* in 2016 and later years

"Transition Relief" for 2015 Only:

Employers of 100* or more full-time equivalent employees must offer coverage that is affordable and provides "minimum value" to full-time employees and dependents or face penalties

* In 2015 only

PART ONE

Employer Mandate

Employers of 50* or more full-time equivalent employees must offer coverage that is affordable and provides “minimum value” to full-time employees and dependents or face penalties

50* or more employees

If you are under 50* full-time equivalent employees, the ACA does not require that you offer health coverage at all.

50* or more employees

An employee is “full-time” for this purpose at 30 hours a week or 120 hours a month

- Plus FTEs:
  - Adding up part-timers
  - Two part-times at 15 hours each is 1 FTE
  - One at 20 and two at 5 each is 1 FTE

This not the same calculation as the one to determine to whom you must offer coverage

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Counting Employees & FTEs

1. Count the number of actual full-time employees, including any temporary and seasonal workers, for each month;
2. Add together the number of hours worked by all part-time employees together for each month; divide by 120; the result is the number of FTEs for that month;
3. Add together the total number of actual full-timers and the total number of FTEs for each month; divide by 12; the result will show whether the employer averaged 50 or more FTEs during the previous calendar year.

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Example

City of Paradise, NC:

- 39 full-time employees each month of year
- 20 part-time employees (each of whom average 17 hours per week)

Covered employer? **Yes.**

17 x 20 x 4 = 1360

1360/120 = 11.33 FTEs

39 F/T employees + 11.33 FTEs = 50 employees (round down if the number of FTEs is fractional).

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50* or more employees

- Seasonal ***workers***
- Temporary employees
- Volunteers
- Elected officials

* In 2016 and later years; 100 in 2015

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Seasonal Workers

1) Include seasonal workers when counting the number of full time employees employed each calendar month
2) Subtract seasonal workers if – and only if –
   - Your full-time workforce exceeds 50 employees on 120 or fewer days (or 4 or fewer calendar months) in the preceding year, <u>and</u>
   - You only had 50 or more full-time employees during those 120 or fewer days because you employed seasonal workers.

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50* or more employees

- Seasonal workers
- Temporary employees
- Volunteers
- Elected officials

* In 2016 and later years; 100 in 2015

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50 or more employees

What if you are near 50* but not quite there?

PART TWO

Employer Mandate

Employers of 50* or more full-time equivalent employees must offer coverage that is affordable and provides “minimum value” to full-time employees and dependents or face penalties

Offer Coverage

If coverage is offered to at least 95%* of full-time employees, you will not face the "no coverage" penalty

*2016 and later years

"Transition relief" for 2015 **Only**:

If coverage is offered to at least 70%* of full-time employees, you will not face the "no coverage" penalty

* 2015 only

Offer Coverage

But, if coverage is not offered to at least 95%* of full-time employees, you will face the "no coverage" penalty

if

Any one employee gets coverage on an exchange and gets a premium tax credit to help pay for coverage.

Offer Coverage

- You don't want the "no coverage" penalty
- You don't want the "inadequate coverage" penalty

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Offer Coverage

If the coverage is "affordable" and provides "minimum value," you will not face the "inadequate coverage" penalty

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Offer Coverage

- Must be "affordable"
- Self-only coverage not exceed 9.5% of employee's household income
- How do you know?
- Safe harbors

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Offer Coverage

- Must offer “minimum value”
- “A health plan meets this standard if it’s designed to pay at least 60% of the total cost of medical services for a standard population.”

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Offer Coverage

- No lifetime limits on “essential health benefits”
- No annual limits on “essential health benefits”

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Offer Coverage

- Waiting period no more than 90 days
- Orientation period allowed
- Must include children up to 26 years old
- Preventive care at no cost
- Maximum contribution limits for employes

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PART THREE

Employer Mandate

Employers of 50* or more full-time equivalent employees must offer coverage that is affordable and provides “minimum value” to full-time employees and dependents or face penalties

Coverage of Full-Time Employees

- You must offer coverage to full-time employees and dependents up to age 26
- For this purpose, full-time means 30 hours a week
- Newly hired full-time employees: Coverage must begin no later than the 1st day of the fourth full month of employment.

Factors underlying the "reasonable standard"

a) Is the new hire replacing a full-time employee ?
b) To what extent have the hours of current employees in the same or comparable positions fluctuated above and below 30 hours of service per week ?
c) Was the job advertised as requiring 30 or more hours of service per week? and
d) Was the new hire told that the job required 30 or more hours of service per week?

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Two Methods of Determining Full-Time Status

Monthly Measurement Method

- Easiest to use
- Good for employers with fewer part-time or seasonal employees
- May align better with hourly tracking systems already in place

Look-Back Measurement Method

- Confusing
- Better for employers with a greater number of part-time, temporary or seasonal employees
- May require new or recalibrated software systems for payroll

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Monthly Measurement Method

- Counts actual hours each month
- No averaging across months
- Coverage begins on the first day of the fourth full calendar month after an employee first averages 30 hours per week in a month.
- Optional: weeks-worked method

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December 2014

S	M	T	W	T	F	S
Nov. 30	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

January 2015

S	M	T	W	T	F	S
28	29	30	31	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Look-back Measurement Method

- Employer chooses a "standard measurement period" of however many months it chooses, looking backward
  - Most employers choose between 6 and 12 months
- Did employee *average* 30 hours a week during the standard measurement period?

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If the employee averages 30 hours,

then the employee must be offered coverage for a period at least as long as the measurement period and no shorter than 6 months.

- This coverage period is a **"stability period."**
- Coverage must continue to the end of the stability period even if the employee's hours fall below an average of 30 per week.

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If the employee does not averages 30 hours,

then the employee may be considered part-time —no coverage— until the end of the stability period, even if the employee's hours end up averaging over 30 per week.

- The stability period cannot be longer than the measurement period that preceded it.

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Length of Stability Periods

Employee Averages ≥ 30 Hours

- ***At least as long as the measurement period and no shorter than 6 months***

Employee Averages < 30

- ***Cannot be longer than the measurement period that preceded it.***

Employer may use different measurement and stability periods for hourly and salaried employees.

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Measurement & Stability Periods

- Measurement period; stability period; then, you do it all over again.
- There can be a brief "administrative period" between the end of a standard measurement period and the following stability period.

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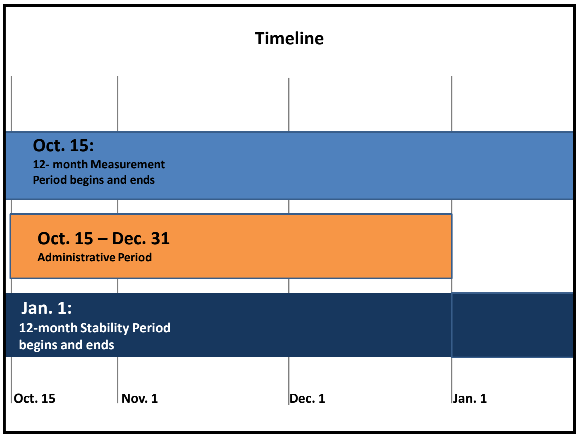

Coordinating with Payroll Periods

Employer may treat a standard measurement period as ending on the last day of the payroll period that precedes the payroll period in which the end of the measurement period falls, if the measurement period begins on the first day of the payroll period in which the beginning of the measurement period falls.

- 6-month Measurement Period from Jan. 1 – June 31
- Employer's bi-weekly payroll periods end on Dec. 26 and January 9 and . . . June 26 and July 10 . . .
- Employer may treat the measurement period as ending on June 26 if the measurement period begins on December 26.

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Coordinating with Payroll Periods

Employers may also treat a measurement period as beginning on the first day of the payroll period that follows the payroll period in which the measurement period falls, if the measurement period ends on the last day of the payroll period in which the measurement period falls.

- 6-month Measurement Period from Jan. 1 – June 31
- Employer's bi-weekly payroll periods end on Dec. 26 and January 9 and . . . June 26 and July 10 . . .
- Employer may treat the measurement period as beginning on Jan. 9 if the measurement period ends on July 10.

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Look-back Measurement Method

Applying this method to:

- Seasonal employees
- Adjuncts
- Rehires
- Employees on special leaves
- Change of status from full-time to part-time or vice versa

Special Rules for New Hires

Initial measurement period must be between 3 and 12 consecutive months that begins either

- on the employee's start date; or
- on any day up to and including the first day of the first calendar month following the employee's start date; or
- on the first day of the first payroll period starting after the employee's start date.

Special Rules for New Hires

- ***If the employee averages 30 hours of service per month***, the employer must offer affordable coverage beginning with the first day of the first calendar month of the following stability period.
- The stability period that follows an initial measurement period must be the same length as the stability period for ongoing employees -- at least six months long and no shorter than the preceding measurement period that preceded it.

Special Rules for New Hires

- The administrative period for a new hire cannot be longer than 90 days total. The 90-days includes all days between a new employee's start date and the day on which she begins health care coverage, less the number of days in the initial measurement period.
- The length of time that the combined initial measurement period and administrative period for a new employee cannot extend beyond the last day of the first calendar month beginning on or after the first anniversary of the employees start date (in other words, never more than thirteen months under any circumstances).

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Special Rules for New Hires

- ***If an employee does not work an average of 30 hours during the initial measurement period,*** then the employee may be treated as part-time during the following stability period and need not be offered health insurance coverage.
- The stability period cannot be longer than the initial measurement period that preceded it and cannot exceed the remainder of the first entire standard measurement period (plus any associated administrative period).

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PART FOUR

Employer Mandate

Employers of 50* or more full-time equivalent employees must offer coverage that is affordable and provides "minimum value" to full-time employees and dependents or face penalties

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Or Face Penalties

Two kinds of penalties:

- The no-coverage penalty
- The inadequate-coverage penalty

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Or Face Penalties

You don't want either one:

1. They are expensive
2. You will look very bad
3. You should be trying to do the right thing

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Or Face Penalties

No coverage penalty:

- $2,000 times number of F/T employees (minus 30)
  - calculated monthly at $2,000/12 per month

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Or Face Penalties

Inadequate coverage penalty

- $3,000 times number of employees receiving a premium tax credit (minus 30)
  - calculated at $3,000/12 per month
  - capped at the maximum the no-coverage penalty would be

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PART FIVE

Special Concerns

- Health Reimbursement Arrangements
- Health Savings Accounts
- Health Flexible Spending Accounts
- Employer Payment Plans
  - **May NOT be used to pay employees to obtain individual coverage through the Exchange**
- Employee Assistance Programs

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Special Concerns

"Grandfathered" plans

- Why that status is helpful:
  - May impose employee contributions above limit
  - Need not provide preventive care without employee cost

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Special Concerns

"Grandfathered" plans

- Why that status is helpful
- How to keep that status

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Special Concerns

Wellness programs

- http://sogpubs.unc.edu/electronicversions/pdfs/pelb40.pdf

Special Concerns

Reporting Requirements

- 6055: Report on IRS Forms 1094-B and 1095-B
  - Insurers and self-insured plans only
  - Enforcement of individual mandate
- 6056: Report on IRS Forms 1094-C and 1095-C
  - Employers
  - Assess compliance with employer mandate; check whether employees qualify for premium tax credit.
- January 31, February 28, March 31

PART SIX

What to Do Now?

- Are you at 100* full-time equivalent employees?
- Who are your full-time employees?
  - Have you been using the look-back method for employees who are close to 30 or work variable hours?
  - If not, what to do now? Monthly method

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What to Do Now?

- Are you at 100* full-time equivalent employees?
- Who are your full-time employees?
- Are you offering your plan to 70%* of your full-time employees?
- Is your plan affordable?
- Does it provide minimum value?
- Have you given adequate notice to your employees?

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Questions and Evaluation

Thanks for attending!

Please complete our evaluation:
https://unc.az1.qualtrics.com/SE/?SID=SV_6WODEpTvJEuTiNT

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