

Affordable Care Act Effective January 1, 2015

Effective January 1, 2015, the Affordable Care Act (ACA) has added a statute requiring employers with 50 or more full-time equivalent (FTE) employees to offer medical benefits to employees working on average at least 30 hours per week. The 50 employees can either be full-time (meaning those who work on average at least 30 hours per week) or a combination of full-time and part-time employees whose total hours are “equivalent” to 50 full-time employees.

Basics of the Employer Shared Responsibility Provisions

Employers with at least 50 full-time or full-time equivalent (FTE) employees will be subject to the Employer Shared Responsibility provisions under section 4980H of the Internal Revenue Code. These employers are referred to as “applicable large employers.” If they do not offer affordable health coverage that provides a minimum level of coverage to their full-time employees (and their dependents), they may be subject to a penalty fee if at least one of their full-time employees receives a premium tax credit for purchasing individual coverage on one of the new Affordable Insurance Exchanges, also called the Health Insurance Marketplace (Marketplace).

Calculating the 50 Full-Time Equivalent

For purposes of the Employer Shared Responsibility provisions (often referred to as Pay or Pay), full-time employees are those who worked on average 30 hours or more a week for more than 120 days in a year – or the number of employees (full-time and part-time) you expect to work these hours.

To calculate the FTE, you need to account for all employees. For example, an employer with 40 full-time employees (that is, 40 employees working 30 or more hours per week on average) and 20 part-time employees working 15 hours per week on average has the equivalent of 50 full-time employees, as shown below:

- *20 part-time employees x 15 average hours per week = 300 average hours per week divided by 30 hours = 10 full-time equivalent employees*
- *40 full-time employees x 15 average hours per week = 300 average hours per week divided by 30 hours = 10 full-time equivalent employees*

An employer with at least 50 full-time employees (including full-time equivalents) for 2014 will be considered an applicable large employer for 2015. You need to take seasonal workers into account in determining the number of full-time employees.

Important: If an employer’s workforce meets or exceeds 50 full-time employees for 120 days or less during a calendar year, and the employees in excess of 50 who were employed during that period of 120 days were seasonal workers, the employer is not considered an applicable large employer.

Liability for the Employer Shared Responsibility Payment

Starting in 2015, applicable large employers may be assessed penalties for failing to offer health coverage to their full-time employees. The penalty mechanism is triggered if:



(a) The employer does not offer health coverage or offers coverage to fewer than 95% of its full-time employees and their dependents, and at least one of the full-time employees receives a premium tax credit to help pay for coverage on the Marketplace;

OR

(b) The employer offers health coverage to all or at least 95% of its full-time employees, but at least one full-time employee receives a premium tax credit to help pay for coverage on the Marketplace, which may occur because the employer did not offer coverage to that employee or because the coverage offered was unaffordable to the employee.

Key Points and Next Steps for Employers

1. To determine if you are an “applicable large employer,” use the calculation provided earlier or click here for the [Shop FTE Calculator](#).
2. If you are determined to be an applicable large employer with 50 or more employees, update your benefit plan to allow employees working 30 hours or more per week to enroll in applicable benefit plans, effective January 1, 2015.
3. Notify employees who are now eligible for health coverage and inform them of their rights.
4. Collect and maintain the employee enrollment and waivers for each employee that becomes eligible.
5. If HR Knowledge is your current broker, please note that we will notify you of your requirements during the renewal process. You may need to coordinate the information in your employee handbook with your Benefits-at-a-Glance to inform employees of their rights.

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