The New Definition of a

Full-time Employee Under the Affordable Care Act and What It Means to Your Business

kavaliro

fueling SUCCESS

CONTENTS

FROM THE MANAGING PARTNER

To Our Valued Clients and Customers,

As business owners, we have a responsibility to be prudent of the changes in government policies that will ultimately affect our employees and overall growth of the company. We believe this value is shared among many business owners and feel obligated to inform you of all the changes the ACA will bring.

Whether you have an opinion on the legislation or not, company policies will inevitably change over the upcoming years as the ACA is fully-implemented. It is difficult to predict these changes but understanding policy details and preparing internal procedures are the first two steps to successfully navigating the ACA.

Kavaliro is founded on the principles meant to empower our workforce to better serve your organization. We strive to live by these values and are committed to preparing the proper procedures for handling future changes in government policies. This approach assures our customers that they are working with one of the most agile companies in our industry today.

As part of our commitment to you, we have compiled the following white paper for the coming year. It provides insight on the changes the ACA will bring to your company and recommendations on how to shape your company's strategy in preparation of the new legislation.

We believe you will find the information useful in understanding how the ACA impacts your business.

Sincerely,

Bill Peppler
Managing Partner
Kavaliro

EXECUTIVE SUMMARY

With the much discussed and debated Affordable Care Act (ACA) passing, many businesses still remain in the dark about how it may affect them. As it initially rolls out, it's essential to ask questions and seek answers surrounding the changes that will impact employees and business as a whole. The hiring landscape will now look different as employers begin to strategically look at their full-time, part-time and contractor hires.

As of 2015, it is required that all employers with 100 or more full-time employees (taking into account full-time equivalent employees, or FTEs) be offered medical coverage. Employers with 50 - 99 full-time employees will have an additional year, until 2016, to comply with the employer mandate requirement. These new requirements are causing employers to ask many questions: Why is this of such concern for many business owners? Why are many businesses considering reducing part-time employees' hours to less than 30?

How can your business begin preparing for the changes associated with the ACA in 2015? Employers and employees alike will be affected and it's essential to know how this will restructure the business and how to prepare for implementation. In order to shed light on the ACA, the following white paper looks to illuminate answers for the queries many business owners are having.

BACKGROUND

The Affordable Care Act (ACA) imposes a penalty on large employers - known as the Employer Mandate or *Employer Shared Responsibility Payment* - that do not offer minimum essential coverage to substantially all full-time employees and their dependents. Large employers that offer coverage may still be liable for a penalty if the coverage is found to be unaffordable or does not provide minimum value.

The employer mandate provisions were originally set to take effect on Jan. 1, 2014. However, on July 2, 2013, it was announced that the employer mandate penalties and related reporting requirements would be delayed for one year, until January 1, 2015.

On February 10, 2014, the U.S. Treasury Department released their final regulations on the employer mandate. The regulations provide an additional delay until January 1, 2016, but only for employers that have 50 – 99 full-time equivalent employees. The effective date for employers with 100 or more full-time and full-time equivalent employees remains the same: January 1, 2015.

Employers that qualify for the mandate are required to offer medical coverage that is deemed *affordable* and provides *minimum* value. This coverage must be offered to not only their full-time employees, but also to their dependent children up to age 26.

QUALIFYING FOR THE EMPLOYER MANDATE

To qualify as a large employer and be subject to the ACA's employer mandate penalty in 2015, an employer must employ an average of at least 100 full-time employees or equivalents during any consecutive six month period in 2014.[1] For example, if an employer has an average of at least 100 full-time employees (including equivalents) in 2014, it will be considered a large employer in 2015.

However, the effective date for employers with non-calendar-year plans may be delayed until the first day of the first plan year in 2015. To qualify for this limited delay, the non-calendar-year plan must:

- Have been in place on Dec. 27, 2012;
- Not have changed plan years thereafter.

Additionally, there are three types of transition relief available[2]:

Transition Rule 1 (Pre-2015 Eligibility)

Transition Rule 1 provides relief to plans who are offering coverage in 2014, but that coverage is not affordable or does not meet minimum value. The employer must look at the plan's eligibility terms in place as of Feb. 9, 2014. For any employee that is eligible to participate on the plan as of Feb. 9. 2014 AND is offered affordable and minimum value (MV) coverage as of the first day of the 2015 plan year, the employer will not incur a penalty for these particular employees prior to the start of the 2015 plan year. If under the terms of

---

[1]Internal Revenue Service. (2014). Shared Responsibility for Employers Regarding Health Coverage. Retrieved from https://www.federalregister.gov/articles/2014/02/12/2014-03082/shared-responsibility-for-employers-regarding-health-coverage

[2]NFP Health. (2014) Health Care Reform Update Final Employer Mandate Regulations. Pages 14-22.

the plan on Feb. 9, 2014, some full-time employees were not eligible, the employer will have to qualify for the second or third type of transition relief to avoid a penalty on those non-eligible employees.

If the employer meets the requirements of either Transition Rules 2 or 3, the employer will receive transition relief, even on the not eligible employees from Transition Rule 1.

Transition Rule 2 (Significant Percentage - all employees)
The employer must provide affordable, MV coverage as of the first day of the 2015 plan year AND they must have covered 25% of all employees (full-time, part-time and seasonal) on any day between Feb. 10, 2014 and Feb. 9, 2014 OR offered coverage to 33% of all employees (Full-time, part-time, seasonal) during the most recent open enrollment period prior to Feb. 9, 2014.

Transition Rule 3 (Significant Percentage - full-time employees)
The employer must provide affordable, MV coverage as of the first day of the 2015 plan year AND they must have covered 33% of full-time employees on any day between Feb. 10, 2013 and Feb. 9, 2014; OR offered coverage to 50% of full-time employees during the most recent open enrollment period prior to Feb. 9, 2014.

Employers that chose to early-renew their plans in 2013 will not qualify for the limited delay and must comply with the employer mandate beginning Jan. 1, 2015.

Employers that have 50-99 full-time employees have been given an additional delay until January 1, 2016 to comply. In order for employers to qualify for the transition relief, they must:[1]

- Not reduce the size of their workforce or overall hours of service for employees through 2014 (as it relates to avoiding complying with the requirement in 2015);
- Not eliminate or materially reduce the health coverage, if any, offered as of February

9, 2014; and

- Complete and attach a certification to their Section 6056 report, which is due in January 2016. The IRS is expected to provide guidance on that topic in the near future.

Full-time Employees vs Full-time Equivalents

A **full-time employee** is an individual that works, on average, 30 or more hours of service each week or 130 service hours per calendar month.

A **full-time equivalent** (FTE) is a unit that measures the workload of all employees not considered full-time by comparing their combined hours to those required by an "equivalent" full-time employee (1 FTE = 1 full-time employee's workload).

Calculating Full-time Equivalents

An employer must calculate the number of FTEs it employed during the preceding calendar year and count each one as a full-time employee for that year*. All employees who were not full-time employees for any month in the preceding calendar year are included in calculating the employer's FTEs for that month by:

- Calculating the aggregate number of hours of service (but not more than 120 for any employee) for all employees who were not employed on average at least 30 hours of service per week for that month; and
- Dividing the total hours of service determined above by 120.

The result is the number of FTEs for a calendar month.

---

*For 2015 only, employers may calculate whether they meet the 100 employee threshold by using any consecutive 6-month period, rather than 12-month period, in 2014.

For example:

- A business has 32 full-time employees and 24 part-time employees who have each worked 25 hours a week.
- Take those 24 part-time employees and multiply them by the hours they worked per month, per employee. (24 x 100 = 2,400 hours)
- Divide the total number of part-time hours worked per month by 120. (2400 divided by 120 = 20 full-time equivalent employees)
- Add that number to your full-time employees and you have your final tally for the calendar month. (32 + 20 = 52 full-time and full-time equivalent employees)

As a business calculates the number of FTEs for each calendar month, fractions are taken into account. However, after adding up the full-time employee and FTE monthly counts for the year and dividing by 12, all fractions would be disregarded. For example, 49.9 full-time employees (including FTEs) would be rounded down to 49 full-time employees and the employer would not meet the large employer threshold.

MEASUREMENT PERIODS[3]

The following information will only apply to employers who have part-time employees whose hours vary beyond the 30 hour a week threshold. By clearly defining an employee as full-time you are avoiding the tracking of their hours entirely.

The final regulations of the ACA provide two methods for determining full-time employee status—the monthly measurement method and the look-back measurement method. These methods provide minimum standards for identifying employees as full-time employees. Employers may decide to treat additional employees as eligible for coverage, or otherwise offer coverage more expansively than would be required to avoid a pay or play penalty.

The final regulations also clarified how certain types of employees would be treated when it comes to calculating an employee's full-time status:[1]

- **Employees rehired after absence** – An employee should be treated as a continuing employee, rather than a new hire, unless the employee has had an absence for a period of at least 13 weeks.
- **Airline Industry Employees** – With respect to airline employees, layover and on-call hours should be counted. Employers are required to use a reasonable method of crediting hours of service. The employer cannot fail to take into account those hours because they are a part of that employee's job.
- **Employees in High-turnover Positions:** Similar to short-term employees, there is no special exemption for employees in high-turnover positions.
- **Bona Fide Volunteers:** There was some concern with the proposed guidance that

---

[3]Pay or Play Penalty - Identifying Full-Time Employees, © 2013, Zywave, Inc. Reprinted in part with permission

volunteer service would be discouraged if volunteer hours were required to be counted. Bona fide volunteers hours of service should not be counted. A bona fide volunteer includes any volunteer who is an employee of a government entity or section 501 (c) tax-exempt organization.

- **Short-Term Employees** – There was very little guidance provided for the treatment of shortterm employees. The first three months of an employee's tenure will not raise issues under the employer mandate requirement, but employers should be prepared to offer benefits to shortterm employees thereafter.
- **Employees in High-turnover Positions** – The final regulations do not adopt any special provisions addressing high-turnover positions.
- **Students** – Students participating in the federal work study program will not be required to be counted, however, it's important to note that the final regulations do not include a general exception for student employees. Interns and externs will not be required to be counted since those students do not receive payment.
- **Adjunct Faculty** – Until further guidance is issued, employers are required to use a reasonable method for crediting hours of service to adjunct faculty. One method suggested would be to credit an adjunct faculty member of an institution of higher education with 2.25 hours of service, which represents classroom time and performing tasks such as class preparation and grading papers. This credit applies per week for each hour of teaching or classroom time. They would also be offered an additional hour of service per week for each hour spent outside of the classroom performing duties that he or she is required to perform.
- **Home Care Workers** – No exemption applies for employers of home care workers. However, in some circumstances the service recipient rather than a home care agency may be the common law employer of the health care provider. In that case, the service recipient would generally not be subject to the employer mandate requirement because it is unlikely to employ 50 full-time employees.

In general, an employer must use the same measurement method for all employees. Thus, an employer generally cannot use the monthly measurement method for employees with predictable hours of service and the lookback measurement method for employees whose hours of service vary. However, an employer may apply either the monthly measurement method or the look-back measurement method to the following groups of employees:

- Each group of collectively bargained employees covered by a separate bargaining agreement
- Employees whose primary place of employment are in different states
- Salaried and hourly employees
- Collectively bargained and non-collectively bargained employees

Monthly Measurement Method

The monthly measurement method involves a month-to-month analysis where full-time employees are identified based on their hours of service for each calendar month. This method is not based on averaging hours of service over a prior measurement period. This month-to-month measuring may cause practical difficulties for employers, particularly if there are employees with varying hours or employment schedules, and could result in employees moving in and out of employer coverage on a monthly basis.

The final regulations provide that an employer will not be subject to a pay or play penalty with respect to an employee for not offering coverage to the employee during a period of three full calendar months, beginning with the first full calendar month in which the employee is otherwise eligible for coverage. For this rule to apply, health plan coverage must be offered no later than the first day of the first calendar month immediately following the three-month period (if the employee is still employed on that date) and the coverage must provide minimum value. This rule applies only once per period of employment of an employee.

Look-back Measurement Method

To give employers flexible and workable options and greater predictability for determining fulltime employee status, the IRS developed an optional look-back measurement method as an alternative to the monthly measurement method. The details of this method vary based on whether the employees are ongoing or new, and whether new employees are expected to work full-time or are variable, seasonal or part-time employees.

The look-back measurement method involves:

- A measurement period for counting hours of service (called a standard measurement period or an initial measurement period);
- A stability period when coverage may need to be provided depending on an employee's fulltime status; and
- An administrative period that allows time for enrollment and disenrollment.

An employer has discretion in deciding how long these periods will last, subject to specified IRS parameters.

Ongoing Employees

For ongoing employees, an employer determines each employee's full-time status by looking back at a standard measurement period (SMP) lasting between 3 to 12 consecutive months, as chosen by the employer. For example, if an employer chooses an SMP of 12 months, the employer could make it the calendar year, a non-calendar year plan year or a different 12-month period, such as the one that ends shortly before the plan's open enrollment period.

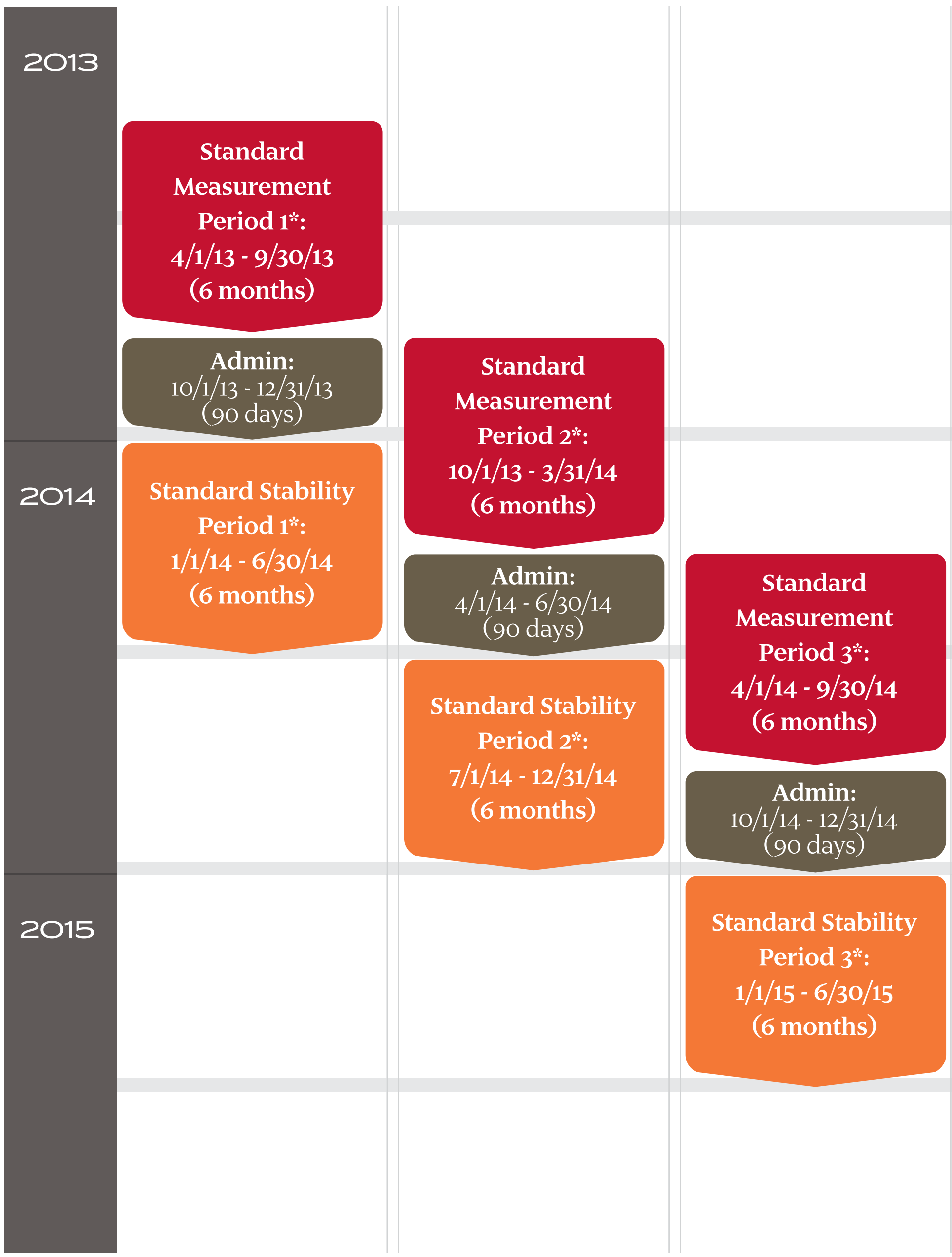
An ongoing employee is an employee who has been employed by a large employer for at least one complete SMP.

If the employee was employed on average at least 30 hours of service per week during the SMP, the employer must treat the employee as a full-time employee for a set period into the future, known as the stability period. This rule applies regardless of the employee's number of hours of service during the stability period, as long as he or she remains an employee.

If an employer determines that an employee worked full-time during the SMP, the stability period must be at least six calendar months and must be at least as long as the SMP. If an employer determines that an employee did not work full-time during the SMP, the employer may treat the employee as not a full-time employee during the stability period that follows. In this case, the stability period cannot be longer than the SMP.

Because employers may need time between the measurement and stability periods to determine which ongoing employees are eligible for coverage and to notify and enroll employees, employers may use an administrative period between the SMP and stability period. The administrative period following an SMP can last up to 90 days. The administrative period must overlap with the prior stability period to prevent any gaps in coverage for employees enrolled in coverage because of their full-time status during a prior measurement period.

Below is a graph that will walk you through an example of the standard measuring period, administrative period, and the standard stability period for an ongoing employee.



New Employees Expected to Work Full-Time

A new employee who is reasonably expected at his or her start date to be a full time employee (and is not a seasonal employee), defined as working 30 hours or more per week, should be offered benefits in order for the employer to avoid a penalty. Whether an employer's determination regarding a new employee's full-time status is reasonable is based on the facts and circumstances at the employee's start date.

- Was the employee replacing an employee who was (or was not) a full-time employee;
- The extent to which hours of service of ongoing employees in the same or comparable positions have varied above and below an average of 30 hours of service per week during recent measurement periods; and
- Whether the job was advertised, or otherwise communicated to the new hire or documented as requiring hours of service that would average 30 (or more).

Also, the final regulations provide that an employer will not be subject to a pay or play penalty with respect to an employee for not offering coverage to the employee during a period of three full calendar months, beginning with the first day of the first full calendar month of employment (if, for the calendar month, the employee is otherwise eligible for coverage under the employer's group health plan). For this rule to apply, the employee must be offered coverage no later than the first day of the fourth full calendar month of employment (if the employee is still employed on that day) and the coverage must provide minimum value.

New Variable Hour, Seasonal and Part-time Employees

Under the look-back measurement method, an employer determines whether new variable hour employees, new seasonal employees and new part-time employees are full-time employees by measuring their hours of service during an initial measurement period (IMP). During the IMP, the employer is not subject to a pay or play penalty with respect to these employees.

If the employee's hours of service for the calendar month equal or exceed an average of 30 hours of service per week, the employee is a full-time employee for that calendar month. Once the new employee becomes an ongoing employee (that is, he or she is employed for at least one complete SMP), the measurement rules for ongoing employees will apply.

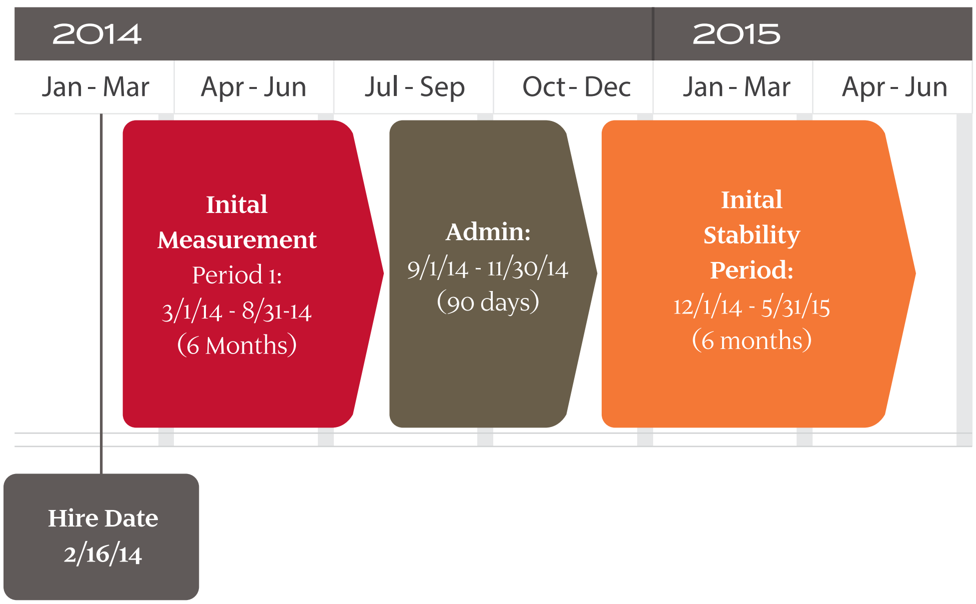
Similar to the method for ongoing employees, the look-back measurement method for new variable hour, seasonal and part-time employees utilizes a stability period for when coverage may need to be provided, depending on the employee's hours of service during the initial measurement period. An administrative period can also be used to make eligibility determinations and notify and enroll employees.

An employer has discretion in deciding when the initial measurement, stability and administrative periods will start and end, subject to specified IRS parameters. However, the stability period for these employees must be the same length as the stability period for ongoing employees.

Initial Measurement Period (IMP)	The IMP must last between 3 and 12 consecutive months, as chosen by the employer. It must begin on the employee's start date or on any date 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 on or after the employee's start date, if later).
Stability Period	**Not Full-time Employees:** If an employee does not have on average at least 30 hours of service per week during the IMP, the employer may treat the employee as not a full-time employee during the stability period that follows the IMP. The stability period for these employees cannot be more than one month longer than the IMP and cannot exceed the remainder of the first entire standard measurement period (plus any associated administrative period) for which the variable hour, seasonal or part-time employee has been employed. **Full-time Employees:** An employee who was employed an average of at least 30 hours of service per week during an IMP must be treated as a full-time employee during the stability period that follows the IMP. The stability period for these employees must be a period of at least six consecutive calendar months and cannot be shorter than the IMP.
Administrative Period	An employer may use an administrative period in connection with the IMP and before the start of the stability period. The administrative period cannot exceed 90 days in total. It includes all periods between the start date of a new variable hour, seasonal or part-time employee and the date the employee is first offered coverage under the employer's health plan, other than the IMP. Also, the IMP and the administrative period combined cannot extend beyond the last day of the first calendar month beginning on or after the one-year anniversary of the employee's start date (totaling, at most, 13 months and a fraction of a month).

Once a new variable hour, seasonal employee or part-time employee has been employed for an entire standard measurement period, the employee must be tested for full-time status, beginning with that standard measurement period, at the same time and under the same conditions as other ongoing employees.

Below is a graph that will walk you through an example of the initial measurement period, administrative period, and the initial stability period for a new variable hour employee.



New Transition Relief

The final regulations announced on Feb. 10, 2014, include transition relief for employers using the look-back measurement method to determine full-time employee status. Solely for purposes of stability periods beginning in 2015, employers may adopt a transition measurement period that:

- Is shorter than 12 months, but not less than 6 months long; and
- Begins no later than July 1, 2014, and ends no earlier than 90 days before the first day of the first plan year beginning on or after Jan. 1, 2015.

For example, an employer with a calendar year plan could use a measurement period from April 15, 2014, through Oct. 14, 2014 (six months), followed by an administrative period ending on Dec. 31, 2014. An employer with a fiscal year plan beginning April 1 that also elected to implement a 90-day administrative period could use a measurement period from July 1, 2014, through Dec. 31, 2014 (six months), followed by an administrative period ending on March 31, 2015.

This transition guidance applies to a stability period beginning in 2015 through the end of that stability period (including any portion of the stability period falling in 2016), and applies to individuals who are employees as of the first day of the transition measurement period. For employees hired during or after the transition measurement period, the general rules for new employees under the look-back measurement method apply.

PENALTIES FOR NOT OFFERING AFFORDABLE COVERAGE

A large employer with 100 or more FTEs will be penalized for not offering affordable coverage in 2015 if at least 1 employee qualifies to save money on monthly premiums in the marketplace. The same penalties will apply to employers with 50-99 employees in 2016.[4]

Employers will also be assessed a penalty for not offering any coverage at all.
Here are the two different types of penalties for large employers to be aware of:

- **For employers not offering coverage** – a $2,000 per FTE applies (minus the first 30). This penalty would apply if one full-time employee receives a federal subsidy through an exchange.

- **For employers offering coverage that does not meet minimum value and/or isn't deemed affordable** – $3,000 per FTE receiving subsidy or $2,000 per FTE (minus the first 80 employees in 2015, decreasing to 30 in 2016). Employer would pay the lesser of the two penalties.

---

[4]Healthcare.gov. (2013). *What is the Employer Shared Responsibility Payment.* https://www.healthcare.gov/what-is-the-employer-shared-responsibility-payment/#question=how-are-seasonal-employees-counted

The following are two examples of penalties employers could face based on the types of penalties listed above:

1. The employer decides to not offer any health insurance coverage to its full-time employees.

Employer Details	Trigger Event	Penalty
250 full-time employees and FTEs. No coverage offered.	1 employee buys coverage on health insurance exchange and receives a subsidy.	$2,000 per employee, minus the first 80*. 250 - 80 = 170 employees **170 x $2,000 =$340,000 penalty**

* Reduced to 30 in 2016.

2. The employer offers coverage, but it does not meet the minimum value and affordability standards.

Employer Details	Trigger Event	Penalty
600 full-time employees. Coverage offered, but does not pass minimum value or affordability standard test.	The penalty is triggered if just 1 employee buys coverage on the exchange and receives a subsidy. For the purpose of this example, let's say 175 employees purchase coverage on the exchange and receive a subsidy.	Employer will pay the lesser of $2000 per employee, minus the first 80* or $3,000 per employee receiving a subsidy. A) 600 - 80 x $2,000 = $1,040,000 B) 175 x $3,000 = $525,000 **Employer would pay penalty B** (Lesser)

* Reduced to 30 in 2016.

Minimum Value and Affordable

The coverage you provide to your full-time employees and FTEs must meet two very specific criteria to avoid the employer mandate penalty in 2015: It must meet minimum value standards and the coverage you offer must be considered affordable.

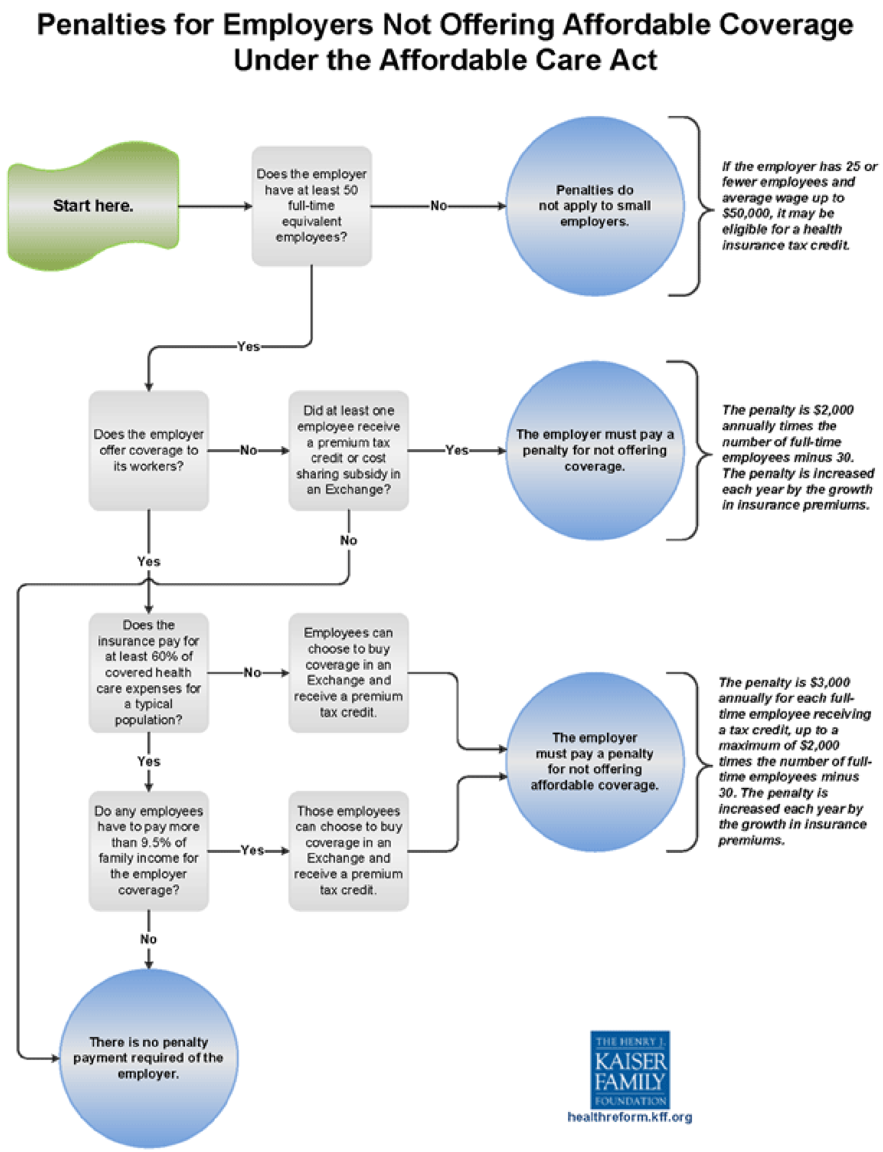
– **Determining Minimum Value**

A plan meets the minimum value standards if it **pays at least 60% of the cost of covered services.** That means deductibles, copays and coinsurance are all considered.

– **Determining Affordable Coverage**

An employer's coverage will be considered affordable if employee contributions for employee only coverage does **not exceed 9.5% of an employee's household income**.

In 2015, employers with 100 or more full-time employees must offer coverage to 70% of their full-time employees and dependents. In 2016, employers with 50 or more full-time employees will need to offer coverage to 95% of their workforce.



---

[5]Employer Responsibility Under the Affordable Care Act Infographic, (The Henry J. Kaiser Foundation, Updated July 15, 2013, http://kff.org/infographic/employer-responsibility-under-the-affordable-care-act/)

REDUCING PART-TIME HOURS

To help offset these cost increases resulting from the ACA, many employers are analyzing their human and financial needs to determine if workforce restructuring is necessary/beneficial. One of the main questions people are asking now that the ACA is in full swing: Are businesses starting to drop their part-time employees' hours to less than 30 in preparation for the employer mandate in 2015?

Depends on who you ask

Ben Casselman, labor market reporter at the Wall Street Journal, says the expected reduction in part-timers' hours and the subsequent rise in hiring part-timers to fill those lost hours hasn't happened just yet. He analyzed the Labor Department statistics from January 2012 to August 2013 which revealed no noticeable increase in part-time workers due to the Affordable Care Act. "A closer look at the data provides little evidence for the notion that the health law is driving a shift to part-time work, although it could as the mandate deadline approaches" said Casselman[6].

Casselman says that if the law were causing employers to cut employees' hours, then the most vulnerable workers would be those working just above the 30-hour cutoff:

> The share of part-timers who say they usually work between 30 and 34 hours at their main job has been roughly flat over the past three years, at about 28%. If anything, it's actually risen in the past year, though the change has been minor. The share working just under 30 hours has indeed risen somewhat, but the share working under 25 hours has fallen—suggesting that employers are giving part-timers more hours, rather than cutting full-timers' hours back.

---

[6] The Wall Street Journal. (2013). *Don't Blame Health Law for High Part-Time Employment.* http://blogs.wsj.com/economics/2013/10/22/dont-blame-health-law-for-high-part-time-employment/

> Put another way: If the Labor Department used the same definition of part-time as the health law, its data would show no increase in part-time work over the past year.

Casselman concludes his article stating that none of this means that employers won't cut hours in the future. He's just taking a look at the data we have currently and employers haven't changed their hiring practices enough in 2013 to move the needle.

A Running Tally of Changes

Jed Graham, writer for Investors.com, is keeping a running tally of the businesses that have reportedly cut hours due to the ACA.[7]

> "Report after report has rolled in about employers restricting work hours to fewer than 30 per week – the point where the mandate kicks in" Graham says on his column which is updated any time an employer cuts hours due to the ACA mandate. "In the interest of an informed debate, we've compiled a list of job actions with strong proof that ObamaCare's employer mandate is behind cuts to work hours or staffing levels."

Graham requires supporting evidence that the decrease in hours is related to the ACA mandate be provided by those contributing to the list.

The list currently has 363 entries, with both private and public companies represented and is dominated by school districts, colleges, local government bodies and restaurants – all of which were expected to be hardest hit by the employer mandate. The first organization added in January 2011 is the West Perry School District in Pennsylvania, when they reportedly began limiting new instructional aides to 27.5 hours per week.

---

[7] Investors.com (2013). *ObamaCare Employer Mandate: A List Of Cuts To Work Hours, Jobs* http://news.investors.com/politics-obamacare/020314-669013-obamacare-employer-mandate-a-list-of-cuts-to-work-hours-jobs.htm

STRATEGIES TO PREPARE

Each entity is unique and will have to devise a strategy that best fits their needs. The Affordable Care Act has been extremely fluid since its inception and we are advising companies to create a plan now to prepare for 2015. By implementing the proper procedure for handling new and ongoing employees, employers will be a step ahead as the final regulations were released.

Here are some action steps you can take now to start preparing for the Employer Mandate to take effect on January 1, 2015:

Determine Large Employer Status

An employer should calculate its size to determine when it will be required to begin complying with the employer mandate requirement.

The final regulations released on February 10, 2014, split employers into three different groups in respect to the employer mandate requirement: small (1-49 full-time employees), medium (50-99), and large (100+).

Employers with 50-99 full-time employees have been given a delay until 2016 to comply with the law, while employers with 100+ employees will still be required to comply in 2015.

Clearly Define Part-time vs. Full-Time

By clearly defining an employee as part-time or full-time you are avoiding the tracking of their hours entirely. We'll use the example of a school district who employs substitute teachers. When the substitute teachers are hired, they are classified right away as a part-time employee, so there is no discrepancy with their hours. Because they are classified as part-time employees, they are kept under the 30 hour threshold and are not required to be offered benefits.

If they're hired as full-time employees, their hours can fluctuate but the administrator does not have to worry about keeping track of their hours because they were hired with the expectation of being offered benefits.

Integrate a Tracking System

If you are an employer who hires many employees with variable hours, it is advised that you put a tracking system in place. You can do this through either your payroll company or an outside vendor. The importance of having a system in place is simple; if you have a variable hour employee, you must track their hours over the course of a certain period of time to determine if they work 30 hours or more a week. If they happen to average 30 hours or more a week during that period, you must offer them benefits during the following stability period.

You are ultimately allowed to choose your measurement period which can be anywhere between 3 and 12 months. It is recommended that, if you haven't already, start tracking them January 1, 2014. If you have already tracked it or can look back, you have an idea if they average over 29 hours or not.

A good example would be if your business employed lifeguards, which is primarily a summer job. For the purpose of this example, you would pick 12 months as your measurement period. The reason being is they may work 30 hours or more a week during those summer months, but by choosing 12 months as your measurement period, the average over those 12 months would not exceed 29 hours a week.

Assess Human & Capital Needs

As of 2015, an employer will be penalized for not offering coverage that is affordable, as well as meet minimum actuarial value, to all full-time equivalent employees. An important mandate already in effect requires an employer to have a waiting period no longer than 90 days. These must be analyzed when looking at one's work force being that many employers will now be required to offer benefits to more employees than they have in the past. Employers should evaluate their human and financial needs to determine if workforce restructuring is necessary/beneficial to help offset increases as a result of the ACA.

NOTE: This white paper is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice.

CONTACT

Kavaliro, an award-winning national professional services and staffing company, places personnel across the United States in the fields of information technology, engineering, finance, utilities, accounting and administration. By using best practices and optimal employee recruiting strategies, Kavaliro provides employers with integrated staffing solutions, providing only the most qualified professionals who can fill both project and permanent positions in order to ensure the ongoing success of all types of businesses.

Please experience our commitment first hand by reaching out to one of our team members via email at contactus@kavaliro.com. More information about Kavaliro is available at www.kavaliro.com. We also invite you to join us on LinkedIn, Facebook (http://www.facebook.com/Kavaliro), or Twitter (@Kavaliro).

The New Definition of a Full-time Employee Under the Affordable Care Act and What It Means to Your Business is a guide for businesses to navigate the ACA and was co-created by The Bailey Group and Kavaliro. If you are interested in receiving more information or advisement on how the ACA will affect your company, feel free to reach out to the contact information listed below.

The Bailey Group
1200 Plantation Island Dr. S., Ste. 210
St. Augustine, FL 32080
(904) 461-1800
www.mbaileygroup.com
Email us at: mjrbailey@mbaileygroup.com

Kavaliro
12001 Research Parkway | Suite 344
Orlando, FL 32826
407.243.6006
www.kavaliro.com
Email us at: contactus@kavaliro.com