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Affordable Care Act FAQs

What does it mean to an employer?

Employers are at the epicenter of the Affordable Care Act. The decisions that you make associated with ACA will have significant ramifications for both you and your employees. Employers will potentially be subject to new penalties. Tax credits will be available to selected employers as well. The ACA includes a number of provisions that impact and drive your decisions on providing health care coverage as a benefit to employees. Additionally new systems and processes may be required to meet mandates, avoid being penalized and meet the new detailed reporting requirements.

A few of the key areas of employer impact:

- Mandate to provide coverage
- Penalties for not providing coverage if mandated
- Pay or Play Tax
- Mandate to certain standards "essential health benefits," "minimum essential coverage" and "cost-sharing" limitations
- New small business tax credit to purchase coverage
- New insurance Exchanges or Marketplace offer new avenues for purchasing health care coverage
- Potential penalties if employees seek subsidized coverage through or on an Exchange
- Limits on underwriting
- Elimination of tax deduction for retiree drug subsidies to employers
- Restrictions on Flexible Spending Account (FSA) salary deferral contributions
- Large employer automatic enrollment
- Employee notification and general reporting requirements
- Existing plans grandfathered as of date of enactment for some, but not all, of the new plan requirements
- Changes in taxation and potential penalties

When will ACA be fully implemented?

Coverage mandates and insurance reforms will continue to be implemented through 2018.

What size employer is subject to the “Pay or Play Tax”?

Tax will be applicable to those Applicable Larger employers that:

Fail to offer healthcare coverage (Not Offering Employer)

Offer minimum essential coverage that is “unaffordable” (Offering Employer)

What triggers the Tax?

If one employee in an employer group with over 50 employees receives subsidized coverage, the employer will be penalized.

What is an Applicable Large Employer?

An Applicable Large Employer has had 50 or more Full-Time Equivalents employed during the previous year. Therefore is subject to the Employer Shared Responsibility or “Pay or Play” Tax.

What are the penalties for noncompliance with the Employer Shared Responsibility or “Pay or Play” Tax?

For Not Offering Employers - If an Applicable Large Employer fails to offer at least 95% of its Full-Time employees (and their dependents) the opportunity to enroll in minimum essential coverage, the Tax is equal to $166.67 per month or $2,000 per year per Full-Time employee after a reduction of 30.

For an Offering Employer - If an Applicable Large Employer offers to at least 95% of its Full-Time (and their dependents) employees the opportunity in minimum essential coverage under an eligible employer-sponsored plan for that month but the coverage offered is deemed unaffordable; the tax is equal to $250 per employee receiving subsidized coverage through the Exchange per month.

What is Affordable Coverage?

Coverage will be deemed affordable for purposes of the Employer Shared Responsibility Tax if the employee's required contribution for self-only coverage is not more than 9.5 percent of his or her W-2 wages.

What is a Full-Time Employee?

An employee who works an average of at least 30 hours per week, or 130 or more hours in a calendar month (so Non-Full-Time would be less than 30 hours per week).

How do I know if someone should be offered coverage?

Measurement Periods have been outlined in which an employer tracks Ongoing Salary, Ongoing Hourly and New Variable Hour employees to determine on average how many hours they worked and if the employee is calculated as Full-Time for the corresponding Stability Period.

What is a Measurement Period?

A Period of time, chosen by the employer, that is between 3 and 12 months in length during which the employer will keep track of the average weekly hours worked by their Ongoing Salary, Ongoing Hourly and New-Variable Hour Employees.

What is a Stability Period?

The Stability Period begins at the end of the Measurement Period (and any Administrative Period, if the employer elects to have one). The look-forward period for which an employee's status (calculated and determined during the Measurement Period as Full-Time or Non-Full-Time) is locked in, regardless of the employee's actual hours during this Stability Period (provided that the employee continues to be an employee during this Period). The length of the Stability Period will be dictated by the length of the Measurement Period (chosen by the employer). The Stability Period will be the longer of:

6 months, Or The length of the Measurement Period chosen by the employer

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What is an Administrative Period?

A Period of time, chosen by the employer, which is between 0 and 90 days in length and immediately follows the Measurement Period, during which the employer can take actions, such as: determine average weekly hours worked during the Measurement Period, determine coverage eligibility, and begin enrollment for Full-Time employees.

What happens with the information that is tracked?

The information is compiled and reported to the IRS on an annual basis and indicates what employees were offered coverage along with information on hours worked by employees.

What if the coverage offered is Affordable and an employee gets coverage on the Exchange or Market Place?

If Affordable employer-sponsored coverage is available; an employee is not eligible for a cost-sharing subsidy through the Exchange.

Is any Penalty deductible?

Penalty taxes are not deductible.

What if a dependent receives coverage through the Exchange?

If a “dependent” of a Full-Time employee receives subsidized coverage through an Exchange the Tax is NOT triggered.

Who is a dependent?

A child or other individual for whom a parent, relative, or other person may claim a personal exemption tax deduction. Full-Time employees (and their dependents) mean covering children up to age 26. It does not mean coverage for a spouse.

What does ACA mean for small employers?

Per The ACA, a small employer is defined as a business having less than 50 FTEs. Small employers are not mandated to provide health insurance to employees. A tax credit of up to 35% (25% for non-profits) is immediately available for small employers who offer health insurance, pay 50% of the employee coverage, have less than 25 employees and the average wage (excluding owner's and owner's family members) is $50,000 or less. Tax credit is available only for the purpose of offsetting tax liability.

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What is grandfathering?

The Affordable Care Act (ACA) standards and requirements have an important exception. If plans were already in place on March 23, 2010, and do not violate the impermissible change rules, they meet the criteria to be deemed as a "grandfathered health plan." The plans that meet this status are granted a permanent exemption from certain mandates. The rules are applied separately to each benefit option; for example, if an employer offers both a PPO and an HMO, each option will retain grandfathered status as long as each does not violate the impermissible change rules.

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