

How does the employer mandate affect my company?



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How does the employer mandate affect my company?

The Affordable Care Act (ACA) requires many employers to offer health insurance to a certain classification of employees or be subject to fines. Your company's obligations, along with deadlines for meeting the requirements of the new law, are determined by your company's status as an Applicable Large Employer (ALE) which is determined by the number of average Full-Time Equivalent (FTE) employees for the prior year.



While this document may help you understand the process of determining your company's potential obligation and risk, it does not replace consultation with benefits, financial, and legal advisors. You should consult your advisors before making a decision. Your advisors will want to consult 26 US § 4980H Sections a) and b); IRS publications 2011-36, 2012-58/59; and Treasury 2014-03082.

Assessing and determining the classifications of your workforce:

First, you must assess how you classify employees. You may be required to reclassify your workforce according to the new definitions of FTE found in Treasury 2014-03082. Typically, employees who work at least 30 hours a week, or 130 hours each month, are considered FTE.

Determining your average FTE employees:

Collect and calculate the average FTE:

For your count to be accurate, you must include data for at least six rolling months at a minimum for 2014. In subsequent years the average must be for the entire 12 months.

✓ If IRS aggregation testing concludes that the companies are a controlled group, affiliated group, or associated group, then your count may include multiple companies.

The purpose of this exercise is to calculate FTE employees.

1 Step one

For each month you are required to track, determine and document the number of FTE employees for the month.

Example:

Month One (A) _____ Full-Time employees

For each month you are required to track, determine and document the number of hours worked by Non-Full-Time employees.

Example:

Month One _____ hours worked by Non-Full-Time employees

Remember all paid hours of Non-Full-Time labor must be accounted for. The common law definition of an employee under IRS regulations applies here.

Full-Time Equivalent
employee averages . . .

Week: 30 or more hours

Month: 130 or more hours

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2 Step two

Take the hours worked by Non-Full-Time employees and divide by 120.

Example:

Month One _____ /120 = (B) _____

Part-Time monthly hours are divided by 120 in this case, not the 130 divisor the IRS typically uses to convert to Full-Time Equivalents.

3 Step three

Add (A) + (B) = FTEs for the month

Example:

Month One (A) _____ + (B) _____ = FTEs for the month

4 Step four

Average all the months that are counted for the year to determine your FTEs for the year.

Track and document your FTEs by month as a part of your overall ACA compliance documentation.

2013 FTEs _____

2014 FTEs _____

When does the Employer Mandate of the Affordable Care Act apply to my organization?

If your average Full-Time Equivalent count is:	Then your compliance date is:	
100.00 +	January 1, 2015	<p>Unless:</p> <ul style="list-style-type: none"> • Your plan has a non-January 1 renewal date • You haven't changed your renewal date since December 27, 2012 <p>At least one of the following is true:</p> <ul style="list-style-type: none"> • 33% of your entire workforce receives an offer of coverage • 50% of your Full-Time workforce receives an offer of coverage • 25% of your entire workforce is actually covered • 33% of your Full-Time workforce is actually covered <p>If you meet all of these criteria, then you may wait until your renewal date in 2015 to comply.</p>
50.00 to 99.99	January 1, 2015	<p>Unless:</p> <ul style="list-style-type: none"> • You did not release employees in order for your calculation to be under 100 FTE employees • You keep offering the same or better coverage as you were offering on Feb. 9, 2014 • You continue to fund at least 95% of the premium share you funded on Feb. 9, 2014 <p>If you meet all of these criteria then you may wait until January 1, 2016, to comply.</p>
0 to 49.99	N/A	<p>Groups with an average FTE of 49.99 and fewer employees are not required to comply with the Employer Mandate, as they are not Applicable Large Employers. All employers must maintain current and up-to-date documentation of their status as Applicable Large Employers and therefore track and document their FTE employees.</p>

Source: SyncStream Solutions is providing this information to assist with the Affordable Care Act and its associated compliance requirements. This information does not replace consultation with benefits, financial, and legal advisors. You should consult your advisors before making a decision. This information is for reference purposes only and is not intended to be tax, legal, or financial advice.

* For more information on these topics and further information regarding the Affordable Care Act Tax Provisions, please visit: <http://www.irs.gov/Affordable-Care-Act>