

## Large Employers Must Offer Affordable Health Coverage Beginning In 2015

### Article Highlights:

- Employers subject to the insurance mandate
- Full-time employees
- Seasonal employees
- Part-time employees
- Minimum essential coverage
- Employers with 50 but fewer than 100 full-time employees

In general, beginning January 1, 2015, employers with at least 100 full-time and full-time-equivalent employees must offer affordable health coverage that provides minimum value to at least 95% of their full-time employees and their dependents or they may be subject to an employer shared responsibility payment. This payment applies only if at least one of the employer's full-time employees qualifies for a premium tax credit through enrollment in a government Health Insurance Marketplace.

Generally, an employer is subject to the requirement to provide affordable health coverage in 2015 if the employer has 100 or more full-time employees. When determining the number of full-time employees, there are certain classes of employees that are excluded from the count—the most notable being certain seasonal employees. Although an employee is considered full-time if he or she works 30 or more hours per week, to determine if the employer has reached the 100 full-time employee threshold, part-time employee hours for a month are totaled and divided by 120, and the result is added to the full-time count. Thus, an employer with fewer than 100 full-time employees may be required to provide an insurance plan to the employer's full-time employees if the combination of full-time employees and the hours of part-time employees equal the equivalent of 100 full-time employees.

Each year, employers will determine, based on their current number of employees, whether they will be considered an applicable large employer for the next year. For example, if an employer has at least 100 full-time employees (including full-time equivalents) for 2014, it will be considered an applicable large employer for 2015. Employers average their number of employees across the months of the year to see whether they will be an applicable large employer for the next year. This averaging can take into account fluctuations that many employers may experience in their workforce across the year.

Even though an employer determines whether it is subject to the mandate based upon the number of employees during the prior year, the penalty is based upon the current year's employees and is determined on a monthly basis.

**Example:** John has 90 full-time employees, plus he has 40 part-time employees. His part-time employees for the month of January worked 1,920 hours. That is the equivalent of 16 (1,920 / 120) full-time employees. Thus, the number of John's full-time employees for the month of January is 106 (90 + 16). As a result, John will have to provide his 90 full-time employees and their dependents with affordable health coverage for January or be subject to the shared responsibility payment

(penalty) for that month, but only if at least one full-time employee receives a premium tax credit. The penalty is determined on a monthly basis.

Affordable health care coverage is minimum essential coverage where the employee's share of the cost is no more than 9.5% of the employee's household income.

Employers with 50 or more full-time employees are also subject to the shared responsibility payment (penalty), but not until 2016, and again only if one or more full-time employees claim a premium tax credit.

The foregoing is an abbreviated overview of the employer insurance mandate. The rules are complex. If you are unsure whether or not your business is subject to the penalty for 2015, please give this office a call. Don't delay: the penalties are substantial and in some cases may be higher than the cost of the insurance.