

## AFFORDABLE CARE ACT HEALTH INSURANCE RULES FOR 2015 – THE EMPLOYER MANDATE

*Employers must offer health insurance that is affordable and provides minimum value to their full-time employees and their children up to age 26 or be subject to penalties. This is known as the employer mandate. It applies to employers with 50 or more full-time equivalent employees (FTE), and will be phased in during 2015 and 2016 based on the employer size. Employees who work 30 hours or more per week are considered full time.*

### WHAT IS A FULL-TIME EQUIVALENT?

- ❖ 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 you expect to work these hours.
- ❖ Part-time employees are those who worked on average less than 30 hours per week, but more than 120 days per year.

- ❖ A calculation is done to convert part time hours worked into a full-time equivalent (FTE). This number is added to the full-time employees and gives the company wide FTE for purposes of determining if ACA reporting is applicable.

### DO YOU HAVE 1-49 FTE'S?

- ❖ The ACA Employer Mandate does not apply. There are no filing requirements.

### DO YOU HAVE 50-99 FTE'S?

Did you offer health insurance coverage?

- ❖ If no, transitional relief is available for 2015 plan year only from the shared responsibility provision.
- ❖ Beginning in 2016, employers will be responsible for penalties if health insurance is not offered to employees.

Does the plan qualify as minimum value coverage and is considered affordable?

- ❖ A plan provides “minimum value” if it pays at least 60% of the cost of covered services.
- ❖ A plan is considered “affordable” if employee contributions for employee only coverage do not exceed 9.5% of an employee’s household income.

What are the reporting requirements?

- ❖ Form 1095-C will need to be provided to each employee detailing the offer of coverage that was made for each applicable month of the year. Due 1/31/16 for 2015.

- ❖ The Form 1095-C will still need to be provided even if there was no offer of coverage to employees.

What are the penalties?

- ❖ Not offering coverage or coverage does not comply with minimum standards: \$2,000 per full-time employee (minus first 30). This penalty will apply starting in 2016.
- ❖ For not providing a Form 1095-C: \$250 per affected employee up to a maximum penalty of \$3,000,000.
- ❖ Waivers are available when failure to report is due to a reasonable cause.
- ❖ Penalties are non-deductible for tax purposes.

### DO YOU HAVE 100+ EMPLOYEES?

Did you offer health insurance coverage?

- ❖ If no, you may be responsible for the shared responsibility provision
- ❖ If yes, was coverage offered to at least 70% (95% in 2016) of full-time employees in 2015? (If no, you may be responsible for the shared responsibility provision)

Does the plan qualify as minimum value coverage and is considered affordable?

- ❖ A plan provides “minimum value” if it pays at least 60% of the cost of covered services.
- ❖ A plan is considered “affordable” if employee contributions for employee only coverage do not exceed 9.5% of an employee’s household income.

What are the reporting requirements?

- ❖ Form 1095-C will need to be provided to each employee detailing the offer of coverage that was made for each applicable month of the year.
- ❖ The Form 1095-C will still need to be provided even if there was no offer of coverage to employees.

What are the penalties?

- ❖ Not offering coverage or coverage does not comply with minimum standards: \$2,000 per full-time employee (minus first 80 in 2015, 30 in 2016).
- ❖ For not providing Form 1095 C: \$250 per affected employee up to maximum \$3,000,000.
- ❖ Penalties are non-deductible for tax purposes.

### SELF-INSURED?

If you are a self-insured employer, there are different rules you must follow.

### CONTROLLED GROUP

Companies that are all linked by common ownership can fall under the controlled group rules. This controlled group of entities must be combined for purposes of determining if they collectively employ at least 50 FTE's.

Parent-Subsidiary controlled group:

- ❖ When one or more companies are connected through stock ownership with a common parent corporation, and:
  - 80% of the stock of each company is owned by one or more corporations in the group, and;
  - The common parent company own 80% of at least one other company.

Brother-Sister controlled group

- ❖ A group of two or more companies where five or fewer common owners own directly or indirectly a controlling interest of each group:
  - Controlling interest-generally means at least 80% of each company, and;
  - Effective Control-generally means more than 50% of the stock of each company.
  - Attribution rules for family members (son, father, parent) apply.

*The rules can be very complex, give us a call to discuss your specific questions.*