

# Health Care Reform

## Preparing for the Coming Storm



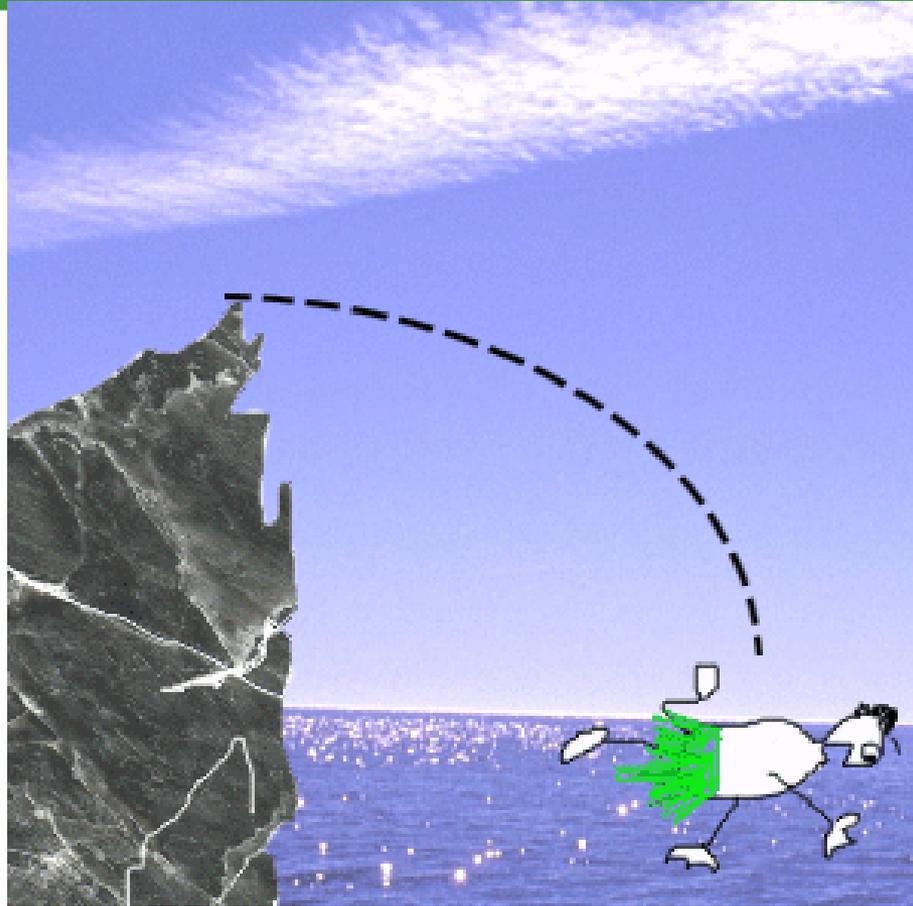
Health Care Reform

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# The Frustration Sets In



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# We Should All Look the Same



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# Brand New Terms

- Employer Shared Responsibility
- Applicable Large Employer
- Full Time Equivalent
- Measurement Period
- Stability Period
- Minimum Essential Coverage
- Affordability
- Minimum Value



# Counting to 50

An employer with more than 50 FTEs that **does not** offer its full-time employees and their dependents “minimum essential coverage” under an employer-sponsored plan may be subject to a penalty

## 50 means Full-time Equivalent Employees

Both full-time and part-time employees are included in the calculation

"Full-time" employees are defined as those working 30 or more hours per week

"Full-time" excludes seasonal employees who work less than 120 days during the year



# Counting to 50

Hours worked by part-time employees (those working less than 30 hours per week) are included by, on a monthly basis, dividing their total number of monthly hours worked by 120.

- A firm with 35 full-time employees (30+ hours), also has 20 part-time employees who all work 24 hours per week (so each employee who works 24 hours per week, works a total of 96 hours per month). These part-time employees' hours would be counted as the equivalent of having 16 full-time employees, as follows:

$(20 \text{ employees} \times 96 \text{ hours per month per employee} / 120)$

$= 1920 / 120$

$=$  the equivalent of 16 "full-time" (30+ hours a week) employees.



# Counting to 50

- IRS Notice 2011-36

Employees of a controlled group under 414(b) or (c) of the Code, or an affiliated service group under 414(m) are taken into account when determining the status as a large employer



# Using the Terms

- An applicable large employer must offer substantially all fulltime employees and their dependents (excluding spouse) minimum essential coverage (not clearly defined yet) that is affordable and provides minimum value (calculators not finalized yet)



# Counting Hours

- IRS Notice 2012-58
- Creates standard measurement period, administrative period and stability period
- Gives safe harbor mechanisms for calculations



# Counting Hours

- Salaried Employees
  - Equivalencies based on days worked (8 hours per day) or weeks worked (40 hours per week)
- Hourly Employees
  - includes regular hourly, variable hourly and seasonal (good faith interpretation)



# Measuring Hours

Measurement period: at least three but no more than 12 months. Measures the average number of hours worked by the employee over the measurement period to determine full time status

Note: there is a provision for a transitional measurement period that is not more than 12 but not less than 6 months beginning no later than 7/1/13 and ending no earlier than 90 days before the first day of the plan year beginning after 1/1/14



# Measuring Hours

Stability Period: at least as long as measurement period and at least 6 months long. After measurement period, an employee maintains the status they achieved during the measurement period for the length of the stability period.



# Measuring Hours

Administrative period: overlaps either the measurement or stability period but does not shorten or lengthen either of them. The period where you enroll employees based on either their achieved or expected status.



# How It Works

- Measurement Period 1: 10/12-9/13
- Administrative Period 1: 10/13-12/13
- Stability Period 1: 1/14-12-14
- Measurement Period 2: 10/13-9/14
- Administrative Period 2: 10/14-12/14
- Stability Period 2: 1/15-12/15
- Measurement Period 3: 10/14 -9/15
- Administrative Period 3: 10/15-12/15
- Stability Period 3: 1/16-12/16



# Affordable Coverage

- 9.5% of Box 1 of Employee's W-2
- Coverage is affordable if the cost of minimum essential coverage to the employee for single-only coverage does not exceed 9.5% of that employee's W-2 reported compensation



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## PENALTY PROVISIONS

An employer with more than 50 FTEs that **does** offer its full-time employees and their dependents “minimum essential coverage” under an employer- sponsored plan will be subject to a **different** penalty if any FTE is certified to the employer as having enrolled in health insurance coverage purchased through an exchange if one employee receives a premium tax credit or cost-sharing reduction



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Penalties – Employer with 50 or more FTEs that does offer health care coverage

- If an employee of a large employer (more than 50 FTEs) elects to participate in the State exchange, and is eligible for premium tax assistance, the employer will still be subject to a penalty of the lesser of a) \$3,000 per subsidized worker or b) \$2,000 per full time worker even if the employer offers a qualified plan



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## QUALIFIED EMPLOYEE (FOR SUBSIDIES)

- Required contribution for minimum essential coverage under employer's plan is:
  - Greater than 8%, but less than 9.8% of employee's taxable for the year;
  - Household income is less than 400% of the poverty level; and
  - Does not participate in the employer's health plan



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- No employer is mandated to offer coverage
- No coverage requirement to anyone other than full-time employees



# Penalty for Not Having Coverage

## Individual Mandate/ Subsidy

- Penalty for noncompliance is the greater of \$95 per individual or 1% of household income over the filing threshold (phasing up to \$695 up to \$2,085 a year for families or 2.5% in 2016).
- Premium Credits/ Cost Sharing Subsidies



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