

# What Size of a Group Do I Have?



# How to determine Full Time Equivalent (FTE)?

- ACA refers to FTE rather than actual number of employees.
- To calculate total FTEs, add the following:
  - All employees who work at least 30 hours per week (full time); PLUS
  - Total number of hours worked in a month by part-time employees (<30 hours per week) divided by 120.

# FTE Calculation Example

- Employer has 35 employees regularly working at least 30 hours per week and 16 employees regularly working 24 hours per week (total of 96 hours per month).
- Full time = 35
- Part time =  $\frac{[16 \text{ employees} \times 96 \text{ hours}]}{120} = 12.8$
- Total FTE = 47.8
  - Federal government guidelines specify to round down to the nearest whole number

# Seasonal Employee:

- Definition: Performs labor or services exclusively during certain seasons or periods of the year which, from its nature, is not continuous or carried on throughout the year.
  - Includes retail workers employed exclusively during holiday seasons.
- If employer's workforce exceeds 50 FTE for no more than 120 days during the calendar year and the employees in excess of 50 were seasonal workers, then the employer is not considered to have more than 50 employees.

# New Employees:

- If the new employee is reasonably expected to consistently work at least 30 hours per week, then consider the employee as full time.

# Small Employers

- 1-49 full-time or full-time equivalent employees during the preceding calendar year. The full-time equivalent employee count includes seasonal employees (if they work more than 120 days per year).
- There is **NO** penalty for small employers who do not offer health insurance to their employees.

# Subsidies: Small Business Tax Credit

- Businesses with 25 or fewer employees.
  - Average wages less than \$50,000.
  - Contribute at least 50% of premium.
  - Phases out as size and wages of business increase.
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- 2010-2013: Up to 35% of total employer contribution.
  - 2014 and later: Up to 50% of contribution.

# The Exchanges (Marketplaces)

- **Small Group (SHOP) Exchange:**
  - For small employers 1-49 (“1” defined as employer and one employee) – 70% participation rate allowed in federal SHOP.
  - Employer may choose coverage level and allow employees to choose from insurers offering at that level beginning in 2015.
  - Exchange collects and combines premiums and sends to insurers beginning in 2015.



# Small Group Coverage and Enrollment

- Initial open enrollment period will be October 1, 2013 – March 31, 2014.
- Enrollment may occur at any time if that small employer has a 70% minimum participation rate (the level of participation of the employees).
- Annual enrollment period will occur between November 15 – December 15.
- Special enrollment period of 30 days (60 days for those losing Medicaid or CHIP coverage) from triggering event.
- Enrollment periods will be the same inside and outside the Exchange.

# Large Employers

- 50+ full-time or full-time equivalent employees during the preceding calendar year. The full-time equivalent employee count includes seasonal employees (if they work more than 120 days per year)
- Large employers **MUST** provide minimum essential and affordable health insurance or pay a penalty.
  - Minimum essential coverage means that insurance pays for at least 60% of covered healthcare expenses.
  - Affordable means it cannot cost the employee more than 9.5% of that employee's household income.

# Employer Responsibilities

- Employers of over 200 employees must auto-enroll with opt-out (final rules and regulations have not been released)
- The penalty for large groups (50+ FTE) not providing health insurance, if at least one employee receives a subsidy from the Exchange, will be \$2,000 per each full-time employee above the first 30 workers.
  - Example: A business employs 55 full-time employees; 2 receive a subsidy. The employer would pay a penalty of \$50,000.  
( $\$2,000 \times (55-30) = \text{penalty}$ ).
- The penalty for not providing affordable coverage will be \$3,000 annually for each full-time employee who receives a subsidy from the Exchange, with a maximum of \$2,000 times the number of full-time employees above the first 30 workers.
  - Example: A business with 55 full-time employees; 2 receive a subsidy. The employer would pay a penalty of \$6,000. ( $\$3,000 \times 2 = \text{penalty}$ ). The maximum penalty for this business would be \$50,000.  
( $\$2,000 \times (55-30) = \text{penalty}$ ).

# Self-Insured Groups

- Self-insured groups are not required to:
  - Cover essential health benefits
  - Limit deductibles
  - Justify large rate increases
  - Extend health insurance to anyone who applies (but they cannot discriminate based on a pre-existing condition)
  - Guarantee to renew coverage
  - Standardize cost-sharing tiers based on actuarial value
  - Prohibit higher premiums based on health status

# Penalties for Employers not offering affordable coverage

