

Affordable Care Act: How does it affect my company?



Are you a LARGE or SMALL employer?

In the prior year did you average 50 or more full-time equivalent employees (FTEs)?

Yes.

You are a LARGE employer.

No.

You are a SMALL employer.

Don't know.

Answer the questions below.

- A. Calculate the number of full-time employees (130+hrs/mo) for each month in the preceding year.
- B. Calculate the number of full-time equivalent employees (FTEs) for each month in the preceding year.
 - (1) Calculate the total number of hours worked in a month (may not exceed 120 hours for any one employee) by variable hours (i.e., part-time) employees.
 - (2) Divide the total in (B)(1) by 120. This equals the number of FTEs for the month.
- C. Add the numbers calculated in steps (A) and (B) for each of the 12 months in the preceding year.
- D. Add the 12 monthly numbers in step (C) and divide the sum by 12. This will serve as your total number of FTEs.

Is the number of FTEs reported from (D) equal to 50 or greater?

Yes. You are a LARGE employer.

No. Do you employ any seasonal workers?

Yes. Would you have more than 50 FTEs if you exclude seasonal workers?

No. You are a SMALL employer.

Yes. Talk to your advisor. It may be possible to disregard seasonal employees.

No. You are a SMALL employer.

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Large Employers

95% Rule

Do you offer health insurance to at least 95% of your full-time employees (30+hrs/wk)?



Affordability Test

Does the amount any full-time employee pays for **self-only** health insurance exceed 9.5%* of household income? See safe harbor methods below.



Minimum Value Requirement

Does your health plan cover at least 60% of costs? See test below.



No Penalty

Your plan meets the Affordability Test and the Minimum Value requirement.



\$2,000 Penalty*

Per full-time employee in excess of 30 if any full-time employee goes to the Exchange and qualifies for a credit.



\$3,000 Penalty*

Per full-time employee who goes to the Exchange and qualifies for a credit.



\$3,000 Penalty

Per full-time employee who goes to the Exchange and qualifies for a credit.

*The 9.5% figure and the \$2,000 and \$3,000 penalty amounts are all adjusted for inflation each year.

Affordability Test Safe Harbors

To determine if your employee premiums for the lowest cost **self-only** coverage offered do not exceed 9.5%* of household income, first use the following safe harbor methods:

- **W-2 Method:** Do your employee premium payments exceed 9.5%* of wages reported on Form W-2, Box 1?
- **Rate of Pay Method:** Do your employee premium payments exceed 9.5%* of hours worked times rate of pay?
- **Federal Poverty Line Method:** Do your employee premium payments exceed 9.5%* of the Federal Poverty Line for an individual?

If you answered **no** to any of these, a safe harbor has been satisfied and you have passed the Affordability Test.

If you answered **yes** to all of these, you may be subject to a penalty.

Minimum Value Requirement Test

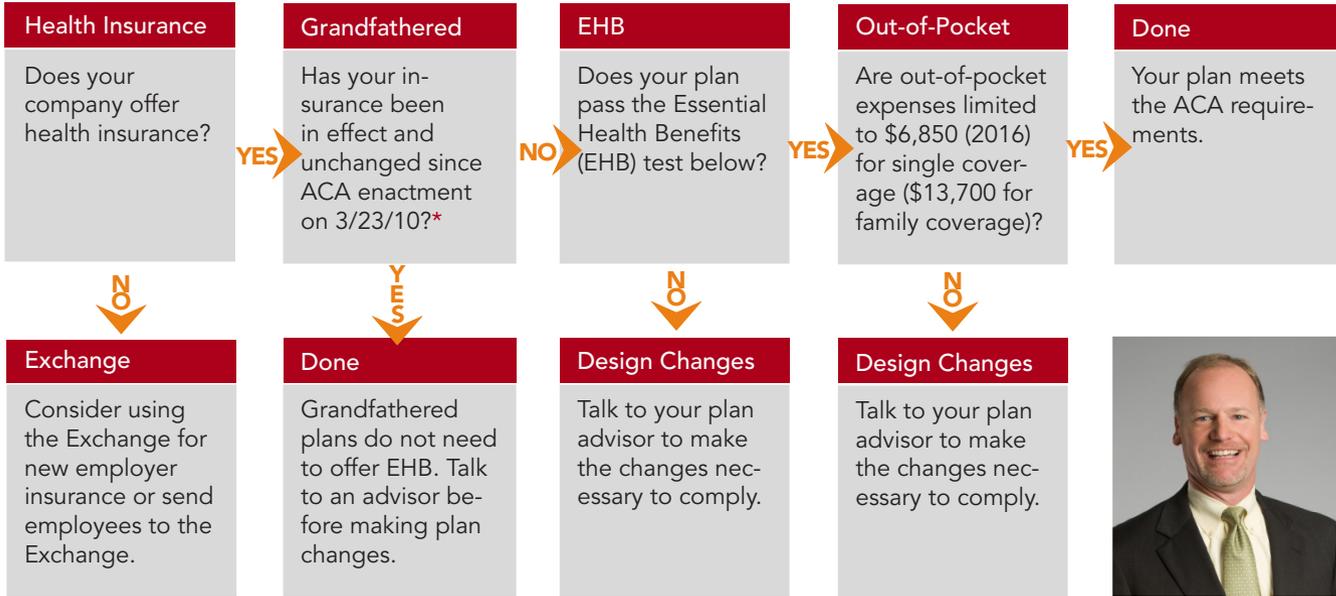
Does your plan cover 60% of the costs. Please seek the advice of your Broker for an answer to this question. If the answer is no, then you may be subject to a penalty.

- **Minimum Value Calculator:** Use the IRS/HHS calculator. <http://bit.ly/MinimumValueCalculator>
- **Design-based Safe Harbor Plan Designs:** Proposed regulations have been issued outlining 3 safe harbor plan designs. Each safe harbor design includes all 10 Essential Health Benefits.
- **Actuarial Certifications:** Have an actuary assess the value of non-standard features and adjust calculation.

If you answered **yes** to any of these, your plan meets the Minimum Value requirement.

If you answered **no** to all of these, you may be subject to a penalty.

Small Employers



Essential Health Benefits (EHB) Test

Does your plan offer the following benefits?

- Ambulatory patient services
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and substance use disorder services, including behavioral health treatment
- Prescription drugs
- Rehabilitative and habilitative services and devices
- Laboratory services
- Preventative and wellness services and chronic disease management
- Pediatric services, including oral and vision care

If you answer **no** to any of these, your plan needs design changes.

If you answer **yes** to all of these, your plan meets the requirements.

Contact us.

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* To maintain a grandfathered plan, there must be no changes to the plan after 3/23/10.

** Not applicable to grandfathered or self-insured plans.

This decision tool provides an overview of the Large and Small employer health coverage rules under the Patient Protection and Affordable Care Act (ACA). While employers may follow the tool and determine possible outcomes, it is not intended to be comprehensive for that purpose. Rather, it is offered as a way to look ahead and better understand the many pathways to compliance that will exist. Tool accurate as of September 2016.