# 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 to get the total number of FTEs.



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Your plan meets the Afford-

Value requirement.

ability Test and the Minimum

No Penalty

## Large Employers

### 95% Rule

Do you offer health insurance to at least 95% of your fulltime employees?

### 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.

#### \$2,000 Penalty

Per full-time employee in excess of 30 if any 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.

#### Minimum Value Requirement

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

## ● ●

\$3,000 Penalty

NO

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

#### 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:

YES

- 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 using any one of the following?

YES

- Minimum Value Calculator: Use the IRS/HHS calculator. http://bit.ly/MinimumValueCalculator
- Design-based Safe Harbor Checklists: Determine minimum cost-sharing levels—60% of the value of 4 core benefits (physician care, hospital/ER care, pharmacy benefits, and lab/imaging service).
- Actuarial Certifications: Have an actuary assess the value of non-standard features and adjust calculation. http://bit.ly/ActuarialValueCalculator

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.

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## Small Employers

Health Insurance		Grandfathered		EHB		Deductibles		Out-of-Pocket		Done
Does your company offer health insurance?	YES	Has your in- surance been in effect and unchanged since ACA enactment on 3/23/10?*	NO	Does your plan pass the Essential Health Benefits (EHB) test below?	YES	Are deductibles** limited to \$2,000 for single cover- age (\$4,000 for family coverage)?	YES	Are out-of-pocket expenses limited to \$6,250 (est.) for single coverage (\$12,500 for family coverage)?	YES	Your plan meets the ACA require- ments.
		YES		<b>\</b>						
Exchange		Done		Design Changes		Design Changes		Design Changes		
Consider using the Exchange for new employer insurance or send employees to the Exchange.		Grandfathered plans do not need to offer EHB. Talk to an advisor be- fore making plan changes.		Talk to your plan advisor to make the changes nec- essary to comply.		Talk to your plan advisor to make the changes nec- essary to comply.		Talk to your plan advisor to make the changes nec- essary to comply.		

#### 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 flowchart provides an overview of the Large and Small employer health coverage rules beginning in 2014 under the Patient Protection and Affordable Care Act (ACA). While employers may follow the flowchart 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 beginning in 2014. Flowchart accurate as of April 2013.