



Bottom Line Driven  
Health Benefits Planning



## ACA Eligibility: Who do I need to Offer Coverage to and When?

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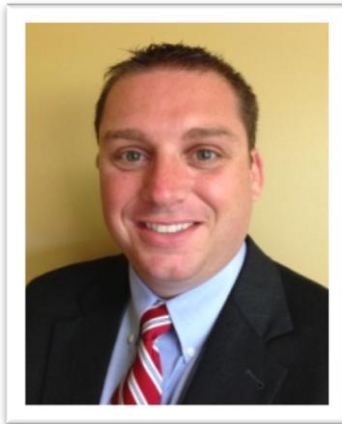
## Who We Are

BeneCo of Wisconsin, Inc.:

- A member of The Benefit Companies, a privately held company.
- Have been providing insurance and employee benefits consulting since 1971.
- A full service benefits firm serving over 1,200 companies and organizations ranging from 10 to 50,000 employees.
- Headquartered in Brookfield, WI with additional Wisconsin offices in Green Bay, and Plymouth.



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- Full Time eligibility
- Employee classes
- Tracking
  - Look Back – Measurement periods
  - Coverage- stability periods
- Gotchas
- Developing an Air tight strategy

- Some questions may fall under
  - Haven't read
  - Haven't heard
  - Guidance not released
  - Just don't know...

# The Penalties

## **4980H (a) \$2,000 Per Employee working 30 hours per week or more**

Does not offer health plan or does not offer to essentially all eligible employees

## **4980H (b) \$3,000 Per Employee working 30 hours per week or more that receives a subsidy in the exchange IF**

Employer offers a health plan but:

- Employee contributions exceed 9.5% of household income
- Health Plan offered is less than 60% actuarial value





**Today's Key Thought:**  
***Frustration is not a strategy***



# Full time eligibility

- Why is FT status important?
  - ACA mandates coverage for all FT employee
  - Penalty imposed for non compliance (4980H)
  - It has significant implications for many
  - It has a new definition (for some)
    - 30 hours per week

## Determining full time employee eligibility: the new frontier

- IRS notice 2012-58 & Proposed Treasury Regulations
  - Key issues:
    - Eligibility is 30 hours per week in 2015
    - Employer selects measurement (look back) period in 2014
    - Employer selects beginning and ending points of periods
    - FT status during Stability period NOT required
    - Current FT status does not determine coverage eligibility
    - Employee types: current, new, variable hour and limited duration
    - Different measurement and stability periods can apply to
      - Union and non union; Hourly and salaried
      - Other entities; Other states

- IRS notice 2012-58 & Proposed Treasury Regulations
  - Exciting new acronyms
    - IMP- Initial measurement period
    - SMP- Standard measurement period
    - SP- Stability period
    - SSP- Standard Stability period
    - AP – Administrative period

# Who do we need to cover?

- Review eligibility
  - Let's get specific
  - "30 hours" means average 30 hours per week
  - What about:
    - Those working between 30 hours per week and the current eligibility
    - Good "fill ins" 25 hours scheduled but working 32 hours in reality
    - Interns working FT for more than 90 days
    - Seasonal employees
    - FMLA, other leaves
    - How to measure and calculate average hours?

# Monthly Measurement Period

- Monthly measurement period
- Default measurement method under the Affordable Care Act.
- coverage offer to any employee for any month in which that employee works 130 hours.
- Challenge to implement:
  - At the beginning of the month the employer does not know how many hours the employee will work
  - At the end of the month once the employer has made the determination, it is too late to offer the employee coverage.

## Measurement Period and FT Status Over Time

	2014	2015	2016	2017
IMP/SMP	12/12	12	12	12
FT Status	Y	N	Y	Y
SP	12	12	12	12
Employment Status	Y	Y	Y	Y
Coverage	Y	Y	N	Y



# When does/did my measurement period start for New Hires?

## Employee Types:

Newly Hired Variable hour employees, seasonal and part-time employees

- Variable Hour Employees -cannot be determined at the employees start date if the employee is reasonably expected to average 30 hours per week or more during the initial measurement period
- Factors to determine if an employee should be a variable hour employee, include but not limited to:
  - Is the employee replacing an employee who was or was not a full-time employee?
  - Are the hours in the same or comparable positions full-time employees?
  - How was the job advertised, communicated to the new hire, or otherwise documented?
- Seasonal Employees
  - Typically works for a period of six months or less, and that period should begin each calendar year in approximately the same part of the year, such as summer or winter.

## When does/did my measurement period start?

- Part-Time employees –employee has a reasonable expectation on the start date that an employee will be employed on average less than 30 hours per week.
  - Newly hired Variable hour, seasonal employees, and part-time employees can be assigned a 3-12 month initial measurement period to determine if they work 30 hours per week or more.
- Please Note: Short-Term and High-Turnover employees
  - Employees who are reasonably expected to average at least 30 hours per week and are hired into positions expected to continue for less than 12 months, (but not including seasonal employees) must be treated as though they would be employed for the full initial measurement period.

## Limited Duration Employees

- A new employee who is expected to be employed initially at least 30 hours per week can be classified as a variable hour employee if:
  - Based on the facts and circumstances at the start date, the period of employment at more than 30 hours per week is reasonably expected to be of limited duration and it cannot be determined that the employee is reasonably expected to be employed on average at least 30 hours per week over your entire initial measurement period.
  - However, you must assume that a temporary employee will work for the entire duration of the initial measurement period so you will not be able to automatically classify them as variable-hour employees because of their limited duration.

## Limited Duration Employee Example

- You have a large project and hire an employee to help cover the increased hours of the project. However, you expect that this employee will average 30 hours of service per week or more for the first few months, while assigned to a specific project, but you also reasonably expect that the future assignments will be of unpredictable duration and that hours of future projects will vary.
- Therefore, if you cannot determine whether this employee is reasonably expected to average at least 30 hours of service per week for the initial measurement period, you may treat this employee as a variable hour employee during the initial measurement period.

# The Safe Harbor: Ongoing Employees

For all ongoing employees the employer may use a Measurement and Stability period to determine if an employee works more than 30 hours per week. In this example, the employer uses a 12 month stability period with a standard measurement period beginning October 15<sup>th</sup>.

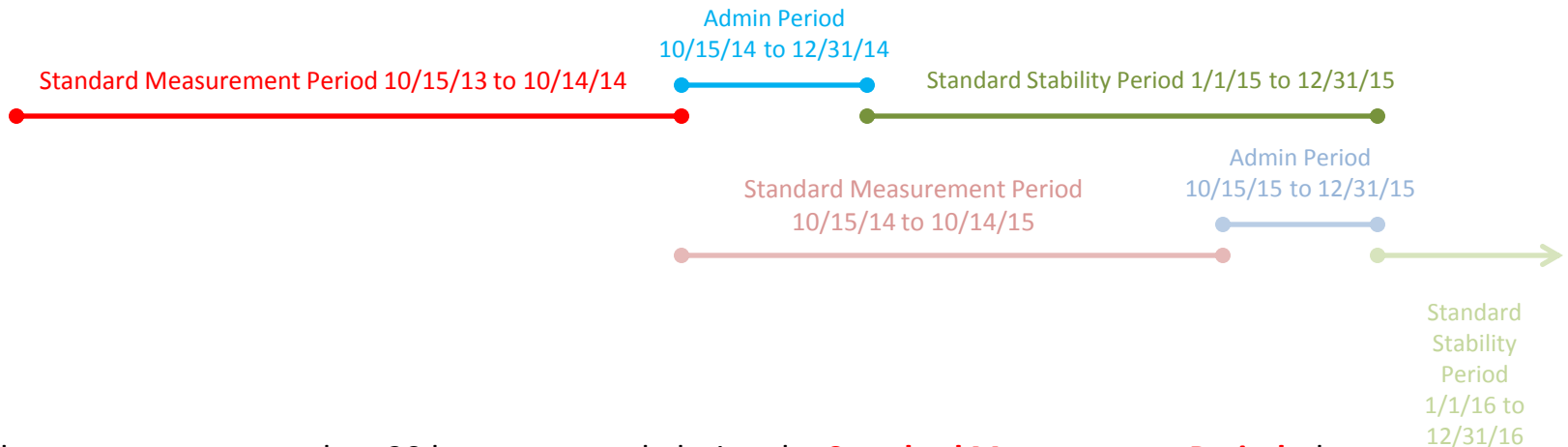
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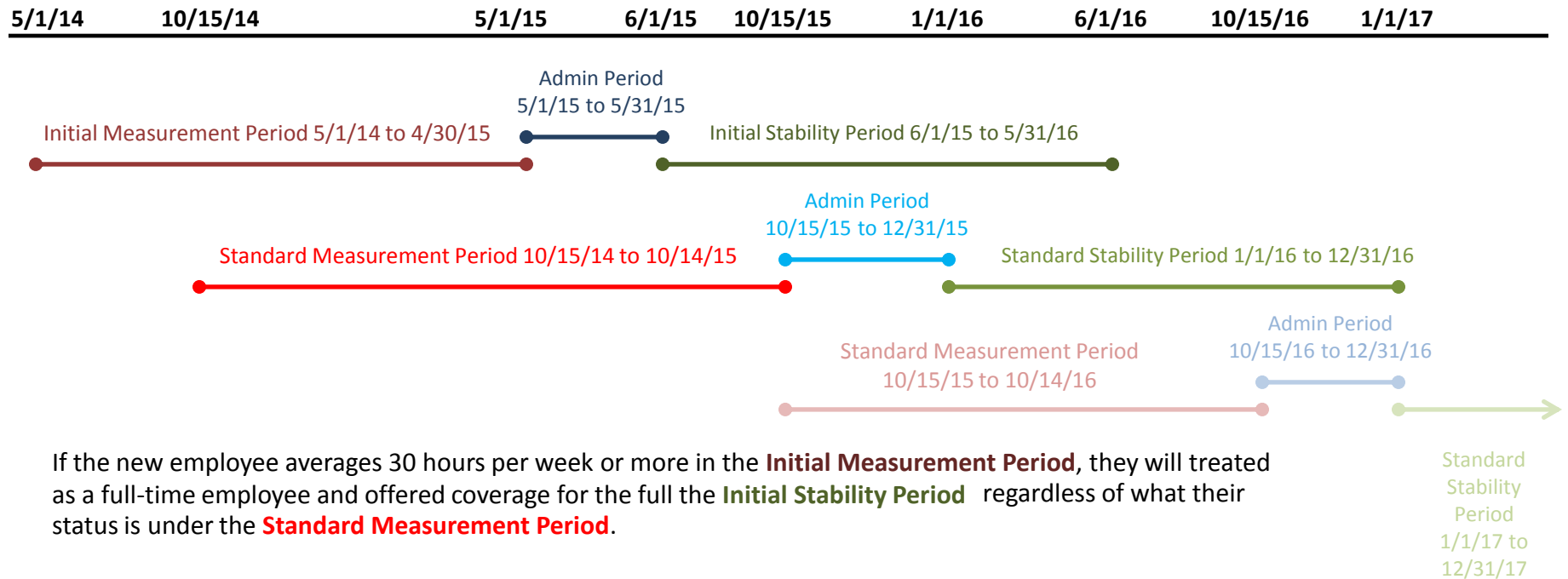
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If the employee averages more than 30 hours per week during the **Standard Measurement Period**, the employer must treat them as a full-time employee in the **Standard Stability Period** and offer them coverage for the full length of the period. The **Administrative Period** is a period of no more than 90 days where the employer can make a determination of the employee’s status and notify them of their eligibility.

## Syncing New Employees with Ongoing Employees

New part-time, variable hour or seasonal employee is hired 4/22/14. Employer uses a 12 month stability period with a standard measurement period beginning October 15<sup>th</sup>.



If the new employee averages 30 hours per week or more in the **Initial Measurement Period**, they will be treated as a full-time employee and offered coverage for the full **Initial Stability Period** regardless of what their status is under the **Standard Measurement Period**.

If the new employee averages 30 hours per week or more in the **Standard Measurement Period**, they will be treated as a full-time employee in the **Standard Stability Period**.



## When does/did my measurement period start?

- Example –Variable Hour employee hired 4/22/14
  - Using a 12 Month Initial Measurement Period: Initial measurement period is 5/1/14 – 4/30/15
    - Employers have the option to start on the day of hire or the first day of the first payroll on or after day of hire
  - Administrative period: 5/1/15 – 5/31/15
    - Admin period cannot extend past the last day of the calendar month beginning on or after employee's anniversary date
  - Stability period: 6/1/15 – 5/31/16

# What do we count in the measurement period?

Type	Paid	Unpaid
Jury Duty	Y	Y
Bereavement	Y	N
FMLA	Y	Y
Holiday	Y	N
Military Leave	Y	Y
No Work Available	Y	N
Employee Refused Work	Y	N
Approved Day Off with Pay	Y	N
Leave Due to Work Comp.	N*	N
Absence Due to Illness/Injury – Out on Employer Disability	Y	N
Absence Due to Illness/Injury – Out on Employee Supplemental Disability (AFLAC)	N*	N

\*As of 9/15/14 specific guidance ACA is not provided. Historical guidance would point to as indicated.

- Tracking and synching up new employees to all current employees
- Stop loss contracts/SPDs stability period coverage
- Coverage needs to be affordable in the stability period, regardless of hours worked.
- Coverage must be offered at full-times rates during stability period

## Who do we need to measure and how? Final “Pay or Play” (ESR) regulations:

### Highlights of Final Regs:

- Provide that a seasonal employee means an employee in a position for which the customary annual employment is six months or less.
- Allows employers to group new hires into 12 groups throughout the year for purposes of determining the initial measurement period.
- Provide 130 hours of service in a calendar month is treated as the monthly equivalent
- Do not indicate specific holidays or the length of any holiday season
- Provide hours of service must be counted across all applicable large employer members.

## Who do we need to measure and how? Final “Pay or Play” (ESR) regulations:

- Confirm the definition of an employee as a variable hour employee if, based on the facts and circumstances at the employee’s start date, the applicable large employer member cannot determine whether the employee is reasonably expected to be employed on average at least 30 hours of service per week during the initial measurement period
- Do not adopt any special provisions addressing high-turnover positions.

## Who do we need to measure and how? Final “Pay or Play” (ESR) regulations:

- Provide specifics for adjunct faculty 2 1/4 hours of service (representing a combination of teaching or classroom time and time performing related tasks such as class preparation and grading of examinations or papers) per week for each hour of teaching or classroom time an hour of service per week for each additional hour outside of the classroom the faculty member spends performing duties he or she is required to perform
- Provide an employer should credit hours for any on-call hour for which payment is made or due by the employer, for which the employee is required to remain on-call on the employer’s premises, or for which the employee’s activities while remaining on-call are subject to substantial restrictions that prevent the employee from using the time effectively for the employee’s own purposes.



## Who do we need to measure and how? Final “Pay or Play” (ESR) regulations:

- Rehired Employees
  - An employee will generally be treated as a new employee only if the employee is absent from work for 13 weeks.
  - Exception for educational organizations a 26 week break in service is required.
  - Rule of parity may be used but is not required. A rehired employee can be treated as a new employee if the period of absence is at least four weeks and exceeded the length of the employees prior employment.

# Who do we need to measure and how?

## Final “Pay or Play” (ESR) regulations:

### School Plans

- A 12-month measurement period is permitted but a special rule applies that says for employment break periods (e.g. summer break) of four or more consecutive weeks, you must either:
  - Determine the average hours of service per week for the employee during the measurement period excluding the employment break period and use that average as the average for the entire measurement period; or
  - Credit the employee with hours of service for the employment break period at a rate equal to the average weekly rate at which the employee was credited with hours of service during the weeks in the measurement period that are not part of an employment break period (but no more than 501 hours of service are required to be credited).
- You cannot treat your employees who work during the active portions of the academic year as seasonal employees.

## Determining full time employee eligibility: what to do?

- Audit your workforce eligibility
- Determine employee classes
- Assess IMP, SMP and SPs
- Document
- Check your stoploss contracts
- Continue to change your paradigm
  - Eligibility no longer real time
  - Complexities will continue
  - Safe harbors exist...use them

## What do we do now? Time for a corporate check up...

- Educate leadership on ACA challenges
- Get leadership on the same page
- Develop objectives
- Set 3-5 year strategy
- Leverage ACA to your advantage
- Execute
- Measure and manage

# Pulling it all together creating a long term plan

## ABC Co Health Insurance Pro forma March 2014

		2013	2014	2015	2016	2017	2018
<b>Plan Design</b>							
	Ded	1000/3000	1250/3750	1250/3750	1500/4500	1500/4500	2000/6000
	Coins	90/70	90/70	90/70	90/70	90/70	90/70
	OOP	2000/6000	2500/7500	2500/7500	3000/9000	3000/9000	4000/12000
<b>Estimated Actuarial Value</b>							
		84%	80%	80%	80%	80%	75%
<b>Employee Contributions</b>							
		15%	15%	20%	23%	25%	25%
<b>Wellness Incentives</b>							
		5%	10%	10%	10%	10%	10%
<b>Cost</b>							
<b>Total cost</b>		<b>\$3,080,250</b>	<b>\$3,385,760</b>	<b>\$3,588,906</b>	<b>\$3,876,019</b>	<b>\$4,186,100</b>	<b>\$4,437,266</b>
Employer Cost		\$3,080,250	\$3,047,184	\$3,230,015	\$3,294,616	\$3,558,185	\$3,549,813
	<i>% Change</i>		-1.1%	6.0%	2.0%	8.0%	-0.2%
Employee Cost		\$0	\$338,576	\$358,891	\$581,403	\$627,915	\$887,453
	<i>% Change</i>			6.0%	62.0%	8.0%	41.3%
Number of covered employees		452	452	452	452	452	452
<b>Cost per employee per year</b>		<b>\$6,845</b>	<b>\$7,491</b>	<b>\$7,940</b>	<b>\$8,575</b>	<b>\$9,261</b>	<b>\$9,817</b>
	<i>% Change</i>		9.4%	6.0%	8.0%	8.0%	6.0%
<b>COBRA Rates</b>							
Monthly							
	8%/6%	Single	\$401	\$425	\$451	\$487	\$526
		Family	\$1,040	\$1,102	\$1,169	\$1,262	\$1,363
Annualized							
		Single	\$4,812	\$5,101	\$5,407	\$5,839	\$6,306
		Family	\$12,480	\$13,229	\$14,023	\$15,144	\$16,356
<b>Cadillac Tax</b>							
Threshold	Single	\$10,200					
	Family	\$27,500					
Excise tax		\$0	\$0	\$0	\$0	\$0	\$0

- Numerous legal challenges
- Bills on 30 hour rule
- Subsidies for federal exchange purchase
- Budget issues
- Full speed ahead
- Time to comply



***What, Me Worry?***





We are grateful **AM 620 WTMJ** has asked BeneCo to host a radio series to educate listeners on how best to tackle the ins and outs of the Affordable Care Act (ACA).

Focused primarily on educating: Business Owners, CEO's, CFO's and HR professionals; we will help them determine if ACA is a "Top 3" or "Top 30" business priority.

Ask us for a copy of the podcast from our **September 27<sup>th</sup> show.**

ACA Prep Course	Course Level	Date	Time
Are You Ready for 2015 (rebroadcast)	101	10/21/14	10:00-11:30
What Every Plan Needs to Know About 2015 ACA Reporting	303	10/28/14	10:00-11:00
When Does My Plan Really Need to Comply with ACA?	304	11/06/14	10:00-11:00
What Every Plan Needs to Know About 2015 ACA Reporting	303	10/28/14	10:00-11:00
When Does My Plan Really Need to Comply with ACA?	304	11/06/14	10:00-11:00
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**To Register:**

[http://www.benefitsinc.com/beneco\\_webinars.html](http://www.benefitsinc.com/beneco_webinars.html)

ACA Prep Course	Course Level	Date	Time
Wellness Based Incentives: Creating Culturally Sensitive Outcome Based Premium Differentials (rebroadcast)	312	11/20/14	10:00-11:00

**To Register:**

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- ACA Impact Study
- How will ACA impact my organization?
- What do I need to plan for?
- Free initial consultation
- Fee for service basis based on plan complexity
  
- ACA Sustainability Analysis
- How do I create a long term sustainable ACA cost strategy and still comply?
- Fee for service basis based on plan complexity



## For Follow up Information or Questions



**Jeff Schultz**

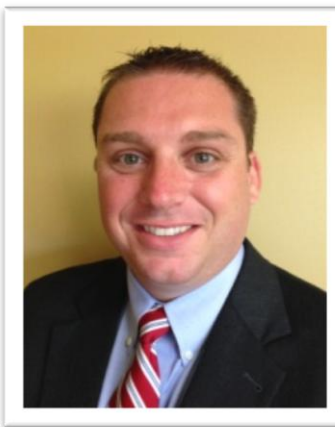
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# Questions?