

Abstract

Companies who offer their employees group health benefits face a milieu of challenges under the new regulations of the Patient Protection and Affordable Care Act (PPACA). The challenge is twofold: 1) companies must decide if they qualify as a “large employer”, and 2) companies must determine which of their employees are considered full-time. This paper explains the process for determining who falls under PPACA jurisdiction while considering the benefits of an automated time & attendance system.

Who is Not Covered?

One way to determine which employees are covered under the PPACA is by first examining who is *not* covered. Under most circumstances, the following types of employees are not covered under PPACA requirements:

- Temporary employees
- Retired employees
- Board or trustee members (i.e., non-employee directors or advisors)
- Contractors
- Employees covered under a collective bargaining agreement
- Seasonal Employees*

Employees not on this list should be covered unless they are on unpaid leave. Once they return to active work, they are eligible and should be covered under the company’s benefit program.

*For seasonal employees, employers can use a “look-back” period to determine full-time status. This is a period of time—specified by the employer—between 3-12 consecutive months of the worker’s employment history to measure if the employee averaged at least 30 hours of service per week. If the employee qualifies as full-time during the look-back period, then he or she would qualify for coverage.

“Large Employer” Qualifications and Challenges

Companies that meet the definition of “large employer” are only subject to PPACA mandates and penalties. A “large employer” is defined as those that employ at least 50 full-time or full-time-equivalent (FTE) employees during business days of the previous calendar year. Since an employer’s FTE takes both full-time and part-time employees into consideration, this can present many challenges when an organization’s workforce is comprised of many part-time employees.

Under the Employer Shared Responsibility Provisions of the PPACA, a large employer is required to offer health care coverage to its full-time employees and their dependents. Failure to provide this coverage can incur penalties of up to \$2,000 annually for each uninsured full-time employee.

As such, an organization must accomplish three primary tasks:



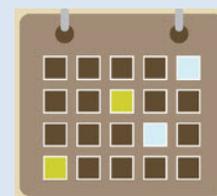
Large Employer

New PPACA regulations only affect organizations that qualify as “large employers”: 50+ employees (full-time and part-time).



Different Employee Types

Different classifications of employees require different calculations.



Tracking Time

New PPACA regulations put time tracking into the hands of employees, which creates more work for office staff. Accuracy and efficiency are top priority, so an investment into an automated time & attendance system is essential.

1. Determine whether or not it is an applicable large employer
2. Identify which part-time employees constitute full-time status according to FTE calculations
3. Define the time periods during which qualified employees are entitled to health care coverage

Time Periods for Measuring FTE

To accurately assess the FTE values for both ongoing employees and new hires, the safe harbor method defines specific time periods that are designated to each step of the process.

Ongoing Employee Periods:

- Standard Measurement Period (12 months) – track hours and assess FTE
- Administration Period (1 month) – offer and administer coverage
- Stability Period (12 months) – provide coverage

New Employee Periods:

- Startup Period (3 months) – track hours and assess FTE (no coverage required)
- Initial Measurement Period (12 months, including Startup) – track hours and assess FTE
- Administration Period (1 month) – offer and administer coverage
- Stability Period (12 months) – provide coverage

Here is a more detailed explanation of the Measurement Period, Administrative Period, and Stability Period:

Measurement Period – A period of time used to determine whether an employee is considered full-time. This can be divided into two different types:

- Standard Measurement Period – A “look-back” period of time (between 3-12 consecutive months) to determine the full-time status of employees
- Initial Measurement Period – A period of time (between 3-12 consecutive months) to determine full-time status of seasonal and variable-hour employees

Administrative Period – This optional period of time allows employers to notify and enroll eligible employees for coverage. Administrative periods begin at the conclusion of the measurement period and can last up to 90 days. However, the Administrative Period does not reduce or lengthen the Measurement Period or the Stability Period.

Stability Period – This period immediately follows the Administrative Period (or Measurement Period if an Administrative Period is not utilized) during which the employee is treated as a full-time or non-full-time worker according to the determination during the measurement period. This period consists of at least six consecutive months and is no shorter than the duration of the Measurement Period.

Four Types of Employees

The IRS designates four different types of employees, and the determination process varies depending on their classification:

- Ongoing Employees – Current employees who have been employed for at least one Standard Measurement Period
- New Employees – Newly-hired employees
- New Variable-Hour Employees – Employees for which it cannot be determined whether or not they will work 30 hours per week.
- New Seasonal Employees – Employees who are hired for season work (e.g., retail workers employed only during a holiday season)

Based on the above classifications, the IRS has outlined different determination processes for the various types of employees:

Ongoing Employees	
Measurement Period	3-12 consecutive months to determine if employee meets full-time requirements
Administrative Period	Optional period (up to 90 days) following Measurement Period allowing employers to notify and enroll employees for coverage
Stability Period	After status (full-time or part-time) is determined, this period lasts the duration of the Measurement Period (or at least 6 consecutive months following Measurement Period)
New Full-Time Employees	
To avoid penalties, an employer must offer health coverage for a new employee after three months of full-time work. After completion of the Measurement Period, the employer must determine the employee's status by using the same metrics for ongoing employees.	
New Variable-Hour and Seasonal Employees	
Measurement Period	3-12 consecutive months to determine if employee meets full-time requirements
Administrative Period	Prior to Stability Period (up to 90 days), and cannot extend beyond the anniversary month of the employee's start date
Stability Period	Must be the same length as the Stability Period of other ongoing employees

Ensuring Compliance with Automated Time & Attendance

Complying with PPACA regulations through manual processes require extra processing time, and the complex calculations have the potential for inaccuracy. Therefore, the most precise and reliable means of determining FTE and employee coverage eligibility is to implement an automated tool that will streamline FTE assessment.

NOVAtime offers robust PPACA compliance tools that save time and minimize errors that could lead to unwarranted employer penalties. Companies can greatly benefit by investing sufficient time in exploring automated systems to ensure the use of the most suitable and convenient solution. NOVAtime offers the following tools within their time & attendance system:

- Automatic FTE and average weekly hour calculations
- A robust built-in report generator for part-time employee management
- An employee dashboard to review time, messages, and accrual information
- Web access to real-time information using PUSH technology
- Employee Self-Service (ESS), ensuring accuracy and efficiency in the time keeping process

These key features will allow organizations to streamline their processes while maintaining compliance with new PPACA regulations. NOVAtime provides real-time management of essential time & attendance information. The system is fully scalable to support time, attendance, leave, while being intuitive, user-friendly, and easy to learn by any employee.

NOVAtime Technology, Inc. was established in 1999 and is headquartered in Diamond Bar, California. By applying the most innovative technology and providing best practice services, NOVAtime has become a leader in the Time and Attendance / Workforce Management industry. Over 10,000 organizations have benefitted from the use of NOVAtime solutions, and the world's best-managed companies continue to select NOVAtime as the preferred solution provider. For more information about NOVAtime, please visit www.novatime.com or call 1-877-486-6682.