

As the Employer Shared Responsibility provisions of the Affordable Care Act take full effect, many businesses are facing similar questions: Do the Employer Shared Responsibility provisions apply to me? Which employees must I offer health care coverage to? When must I offer them coverage? A typical business facing these questions is profiled in this paper, as are the automated workforce management solutions that can help organizations comply with the Affordable Care Act.

Owner Profile: Sean

Sean owns a small chain of specialty tea stores. In 2015, he employed 20 full-time employees, each of whom worked on average 35 hours per week, and 40 part-time employees who each averaged 90 hours of service per month. His employees all work year around. Sean does not currently offer his employees health care coverage, but he wants to comply with the Affordable Care Act.



Do the Employer Shared Responsibility provisions apply to Sean?

In order to answer this question, Sean must first ask himself another question: Is he an Applicable Large Employer? Under the Affordable Care Act, only Applicable Large Employers (ALEs), defined as those employing 50 or more full-time equivalent employees, are subject to the Employer Shared Responsibility requirement to offer minimum essential coverage to their full-time employees or face penalties. At first glance, Sean does not appear to be an ALE, as he only counts 20 full-time employees. In order to determine his ALE status, however, Sean must also include full-time equivalent employees in his total “full-time employee” count.

ACA Designation	Definition
Full-time employee	A full-time employee is one who has on average at least 30 hours of service per week or at least 130 hours of service during the calendar month.
Full-time equivalent employees	For purposes of ALE determination only, an organization’s number of full-time equivalent employees is calculated in two steps: <ol style="list-style-type: none"> 1. Add the number of service hours for all part-time employees for each month (not more than 120 hours per employee) 2. Divide by 120



Helpful Links

- [IRS: Determining if an Employer is an Applicable Large Employer](#)

Sean first determines that his 20 “full-time employees” are in fact full-time according to the ACA’s definition, as they all work 35 hours per week.

Number of full-time employees for each month: 20

Next, Sean must calculate his number of full-time equivalent employees. To calculate this number, he first calculates the total number of service hours of his 40 part-time employees for each month in 2015.

40 part-time employees x 90 hours of service per month = 3,600 total service hours per month

3,600 total service hours per month ÷ 120 = 30

Number of full-time equivalent employees for each month: 30

Adding together his full-time employees (20) and full-time equivalent employees (30) for each month, Sean finds that he has 50 full-time employees for each month in 2015 and is in fact an ALE subject to the Employer Shared Responsibility provisions of the ACA.

Which employees must Sean offer health care coverage to and when?

Now that Sean has determined that the Employer Shared Responsibility provisions do apply to his company, he must decide which employees to offer health care coverage to. To avoid penalties, ALEs must offer minimum essential coverage that is affordable and provides minimum value to their full-time employees and dependents. While full-time equivalent employees are counted as full-time employees for purposes of determining ALE status, they are not counted as full-time employees for purposes of offering coverage. Only those employees who work, on average, at least 30 hours of service per week are considered full-time employees to whom coverage must be offered.

Sean has two methods for determining the full-time status of his employees:

- 1) Monthly measurement
- 2) Safe Harbor measurement

The monthly measurement method involves a month-to-month analysis of employee statuses, while the Safe Harbor method allows an employer to average an employee’s hours during a measurement period in order to determine his or her status for a future period. Because the second method provides predictability and flexibility, Sean decides to use the Safe Harbor measurement method to determine his employees’ statuses. This method allows an employer to define three periods of time for the measurement, administration, and ongoing stabilization of an ongoing employee’s status. For new employees, the Safe Harbor Method includes an additional Startup Period.



Helpful Links

- [Federal Register: Shared Responsibility for Employers Regarding Health Coverage](#)

Safe Harbor Method: Ongoing Employees

	Duration	Description
Standard Measurement Period	3–12 months	Employer tracks an employee’s hours to determine their FTE status
Administration Period	Up to 90 days	Health insurance coverage is offered to employees, and employer enrolls them in a plan.
Stability Period	6–12 months	The employee is considered full-time and must be offered coverage, regardless of hours worked during that period.

Safe Harbor Method: New Employees

	Duration	Description
Startup Period	3 months	Employer tracks an employee’s hours to determine their FTE status, but coverage is not required.
Standard Measurement Period	3–12 months	Employer tracks an employee’s hours to determine their FTE status.
Administration Period	Up to 90 days	Health insurance coverage is offered to employees, and employer enrolls them in a plan.
Stability Period	6–12 months	The employee is considered full-time and must be offered coverage, regardless of hours worked during that period.



Helpful Links

- [SHRM: Employers Need to Start ACA Measurement Periods](#)



Profiles in ACA Compliance

Employer Shared Responsibility

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