



What Your Business Should Know About the Affordable Care Act

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The bulk of the Affordable Care Act (ACA) kicks in next year, and employers are bracing for the impact that providing the required health care insurance to employees will have on their business. Here are some facts to help you plan ahead.

Required Coverage. Businesses with more than 50 “*full-time equivalent*” employees must offer coverage or be subject to a penalty. Both full time and part time employees are counted to determine the 50-employee threshold, as follows:

- Full-Time (employees that work at least 30 hours per week in any month) - Counted as one full-time employee.
- Part-Time – Calculated by taking the hours worked by all part-time employees in a month and dividing that amount by 120.
- Seasonal – Not counted in the calculation for those working up to 120 days in a year.

The ACA requires the coverage to be “minimum essential” and “affordable” to employees. Minimum essential coverage means covering 60% of the actuarial value of the cost of the benefits of full time employees. And affordable means the premium for the coverage of the individual employee cannot exceed 9.5% of the employee's household income. If employer fails to provide coverage or if the coverage is unaffordable, qualifying employees can get subsidized coverage through tax credits on the state exchanges. In such a case, the employer will be required to pay the lesser of \$3,000 per subsidized full-time employee, or the \$2,000-per-employee penalty excluding the first 30 full-time employees. There are no penalties for part-time employees that are not offered coverage. When calculating whether it makes business sense to pay a penalty, employers should take into account that providing health insurance is a deductible business expense, but penalties are not.

Additional Reinsurance Contributions. The ACA imposes a temporary fee through 2016 that is payable by the health insurance issuer and which is expected to be passed on to employers. The proposed annual contribution rate in 2014 is \$63 per covered life, or \$5.25 per covered life

per month. A covered life includes all individuals covered under a plan, including for example spouses and children. Certain plans are exempt from the reinsurance contributions such as health savings accounts (HSAs) and stand-alone dental and vision plans.

Coverage through insurance exchanges. Small businesses will be able to buy health coverage from a state's Small Business Health Option Plans (SHOP Exchange) instead of from insurance issuers. Small businesses for this purpose are defined as 1 to 50 or 1 to 100 full-time equivalent employees, at the state's option. States can open the exchanges to large employers in 2017. This feature was supposed to offer multiple plan options in 2014, however, the Department of Health and Human Services has stated that the federal government will offer only one plan in 2014 in the 33 exchanges that it runs fully or in part, and in 2015 employees will be able to choose from a full range of plans in the exchange or marketplace. The 17 states currently running their own exchanges may also delay their roll out.

New small business health credit. Small employers (those with fewer than 25 full-time equivalent employees) who buy coverage through a SHOP Exchange can take a tax credit of up to 50 percent of their premium payments. (The credit for coverage from a private insurer ends in 2013.) The credit is reduced or eliminated, depending on the number of employees and their average annual wages.

The ACA regulations are still in flux so stay tuned for updates. Please feel free to contact me with any questions at jcohen@ctswlaw.com or at [Jerry FT Blog](#).

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