Short reprieve for employers from the Affordable Care Act

The date employers had to begin to possibly provide their full-time employees with health insurance has been pushed back for one year to now begin January 1, 2015.

Posted on **July 19, 2013** by **Adam Kantrovich**, Clemson University Extension

The Affordable Healthcare Act (ACA), also referred to as "Obamacare" has a major portion of the act that was scheduled to go into effect on Jan. 1, 2014. This would have required employers with more than 50 full-time equivalent (FTE) employees to provide "affordable" health insurance to their full-time workers. The U.S. Department of the Treasury has delayed implementation until Jan. 1, 2015 due to potential difficulties that exist with reporting and to give businesses time to transition into meeting the requirements of the act. During this time, the Treasury will look to "simplify" the reporting methods. They are also asking that businesses voluntarily comply by reporting information for 2014.

Although this provides business and employers with some breathing room, that does not mean complacency should set in. According Michigan State University Extension, this is the time a farm or business should prepare for the full implementation of this portion of the act in 2015. It is important for each farm and business to begin to understand the basics of this law and determine:

1. What data they will need to develop and report.
2. If they have to provide health insurance.
3. Assess the most cost-effective manner to meet what ACA's requirements are.

One of the first steps to meet the demand of the act is to determine whether or not you as a business need to provide health insurance to full-time employees. To do this, an employer will need to know:

1. How many full-time permanent (non-seasonal) employees they have,
2. How many part-time (seasonal) employees a business has and the number of hours per month they work (to determine FTE's), and
3. How many seasonal workers a business has and the amount of hours they work per month (to determine FTE's) and whether they are employed more than 120 days per year.

The next step is to determine whether a business has more than 50 full-time equivalent employees. The act defines a full-time employee as those who work an average of 30 hours of service or more per week (you must include paid vacation, personal time, sick time, holidays, etc.). If a business were to have 60 employees total (no seasonal workers); 45 of the employees work on average 35 hours a week (the ACA defines full-time as 30 or more hours of service per week) and 15 employees that work 20 hours on average a week this would equate to 55-full time equivalent employees [45 full-time employees + (15 part-time employees working 20 hours a week is the same as 10 full-time employees)]. In this example the business would be required to provide health insurance to their full-time employees. If you are a business that has seasonal employees they may possibly be exempted from having to be counted in the overall month-to-month FTE count if the seasonal employee(s) work for less than 120 days during the year for the employer.

If an employer has more than 50 FTE's, the employer must provide health insurance or pay a penalty. However, the employer only has to provide health insurance to the full-time employees and not to the part-time employees. If the employer is required to provide health insurance and chooses not to, the employer must pay a penalty of up to $2,000 per year per full-time employee after subtracting the first 30 full-time employees. If a business has 55 FTE's with 45 full-time employees that it does not provide health insurance and instead chooses to pay the penalty, the fine would be based on 15 employees (45-30 = 15). One additional note that employers must be aware of is of a secondary penalty. The other penalty is for those who offer health insurance to their full-time employees but the insurance policy does not meet the two affordability tests allowing the employee to receive a subsidy to purchase health insurance through an exchange. If this occurs the employer would receive a penalty of $3,000 per employee who purchases a subsidized health insurance coverage plan through a health insurance exchange.

For further information please contact me at akantrov@msu.edu or view the MSU Extension Farm Information Resource Management web page.

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