

Employer Requirements Under the Affordable Care Act – When Do They Apply?

By Ellen L. Joseph, CPA

Background:

The Affordable Care Act (ACA) requires employers of a certain size called Applicable Large Employers (ALEs) to offer group health insurance coverage to their full-time employees. In general, ALEs have 50 or more full-time employees. However, to determine ALE status, employees who are not full-time are aggregated into full-time employee equivalents (FTEs) and added to the number of full-time employees to see if the 50-or-more full-time employee threshold is met. In general, ALE status is determined by looking at employees and their hours of service during the preceding calendar year. Thus, 2015 ALE status is determined by measuring the number of full-time employees and FTEs during 2014.

The ACA also outlines specific requirements for the health insurance coverage to be offered to employees. The insurance offered must provide “minimum essential coverage” and must deliver “minimum value.” Additionally, the coverage offered must be “affordable.” Each of these terms is defined by the Internal Revenue Code and/or related Treasury Regulations.

Employers who are ALEs are also required to annually report information to their employees and the Internal Revenue Service (IRS) about the insurance coverage offered and other related information. Additionally, any employer that is self-insured for its employee health insurance must also report information to its employees and the IRS, regardless of whether or not they are an ALE. The appropriate reporting form must be issued to employees by January 31 of the year following the reporting year (however, 2015 forms must be issued to employees by February 1, 2016 because January 31, 2016 is a Sunday).

Implementation:

Most business owners are aware of the postponement of several provisions of the ACA that impact employers. For example, there are no reporting requirements or penalties for calendar 2014 for ALEs, regardless of whether they offered health insurance to their employees or not.

Certain “small” employers are exempt from penalties for calendar 2015, but not from reporting requirements. This transition relief applies to ALEs who had fewer than 100 full-time employees (including FTEs) during 2014 and meet some additional criteria. The additional criteria include maintaining the ALE’s workforce size and overall hours of service of its employees. This requirement eliminates the transition relief for employers who intentionally reduced their workforce size or employees’ hours of service specifically to have fewer than 100 full-time employees (including FTEs). Further, if the employer previously offered health care coverage to its employees, it must effectively maintain that offer of coverage without material reduction through 2015. ALEs that satisfy these requirements for transition relief for 2015 must certify that they are eligible for this relief. This certification is made on 2015 Form 1094-C, Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns, filed in early 2016.

ALEs that have 100 or more full-time employees during 2014 will have reporting requirements for calendar 2015 and may be subject to penalties for failure to offer affordable minimum essential coverage that provides minimum value to its full-time employees. There are some transition relief rules for penalties imposed on these larger ALEs for 2015.

For calendar 2016, all ALEs will be required to file information reports and may be subject to penalties for failure to offer affordable minimum essential coverage that provides minimum value to its full-time employees. Also in 2016, ALEs will be required to offer minimum essential coverage to their full-time employees' dependents.

Employers and affiliated groups of employers that had 50 or more employees during 2014 should seek assistance from a certified public accountant that is familiar with the intricacies of the ACA to determine whether or not they are an ALE for 2015 or might become one for 2016. The CPA can also assist the employer to prepare for the reporting requirements that begin in January 2016. It is important to start preparing for this reporting process early, as it requires analysis of data from various sources.

For more information about determining ALE status as well preparation for ACA reporting, please contact Ellen L. Joseph CPA Chartered at 954-242-1200.

Number of full-time employees and FTEs in prior calendar year	2015			2016		
	<50	50-99	100 and up	<50	50-99	100 and up
Reporting required?	No	Yes	Yes	No	Yes	Yes
Penalties imposed for failure to offer coverage that is affordable to employees?	No	No	Yes	No	Yes	Yes
Penalties imposed for failure to offer coverage to employees' dependents?	No	No	No	No	Yes	Yes

Biography: Ellen is a well-respected tax professional with 25 years of experience. She has worked at a "Big 4" CPA firm, as well as two Fortune 500 Companies. Ellen has been a member of the Florida Institute of CPAs' Women in Leadership Committee since its creation. Ellen offers specialized tax consulting services, including employer compliance with the Affordable Care Act.