Are You Ready for the Affordable Care Act?

Five Tips to Help You Prepare Today

Attendance on Demand in Action

Affordable Care Act Compliance Example

A health care service organization is planning for Patient Protection and Affordable Care Act (PPACA) compliance. As a qualified large employer, the organization is concerned about stiff penalties if it doesn't meet its obligations. Finding ways to automate compliance can eliminate the administrative burden. Since its existing Attendance on Demand time and attendance system captures the information used to determine which employees qualify for coverage, it calls its distributor to see how its system can help with its compliance strategy.

PPACA Features Streamline Compliance

With PPACA-specific features, Attendance on Demand becomes the cornerstone of the organization's compliance plan. Instead of manually tracking which employees qualify as full time (or full-time equivalent), administrators now receive automatic alerts through their manager dashboard. Full scheduling functionality with individual and group views means managers can ensure that part-time staff schedules remain below the full-time threshold. And the system's real-time reporting allows the organization to validate its determination process findings and demonstrate compliance with PPACA provisions.

Results

Attendance on Demand helps the organization:

- Automatically identify full time and full-time equivalent staff
- Manage part-time schedules to remain below 30 hours
- Run real-time reports that validate its determination findings
- Track and archive time and attendance data for recordkeeping purposes
- Maintain employee records confidentially with Employee Self-Service

Employers have a lot to prepare for with new obligations and responsibilities under the Patient Protection and Affordable Care Act (PPACA), but most remain unsure of what to do. Attendance on Demand looks at five steps to prepare for health care reform compliance using a trustworthy time and attendance system.

1. Know How the PPACA Defines "Full Time"

PPACA defines a full-time employee as one who works (or is paid) at least 30 hours per week (or provides 130 hours of service total) in any given month. Although seemingly straightforward, this calculation can be difficult for employers to apply to new hires, variable-hour workers, and seasonal workers, making it an important reason to begin preparing for PPACA now. Accurately identifying full-time employees is crucial for avoiding penalties.

2. Determine If You Qualify as a Large Employer

Only organizations that meet the definition of "applicable large employers" are subject to PPACA mandates and potential penalties. Large employers are defined as those who employ at least 50 full-time—or full-time equivalent—employees during business days on the previous calendar year. Full-time equivalents, or FTEs, are calculated by dividing the aggregate service hours of all part-time employees in a given month by 120. An employer must combine the number of full-time employees and FTEs to determine if it meets the "large employer" criteria.

The Act provides an exception for employers of seasonal workers—workers who perform services on a seasonal basis such as retail workers employed only during the holiday season or agricultural workers. If an employer's workforce exceeds 50 full-time employees for 120 days or fewer per calendar year, and if the employees in excess of 50 were seasonal, the employer is not considered an "applicable large employer."

In most cases, employers will know if they meet the large employer criteria without doing full-time and FTE calculations. However, to ease the process for those organizations on the threshold this year, the IRS is offering *transition relief*. Instead of using the entire 2013 calendar year to calculate employer status, organizations can use a period of six consecutive months in 2013. This provides an opportunity to establish a PPACA compliance plan before 2014.

3. Understand the Determination Process

The IRS has outlined a "safe harbor method" that large employers can use to determine the full-time status of employees. The method uses measurement, administrative, and stability periods.

- A ***measurement period*** is a period of three to 12 consecutive months over which employee service hours are averaged to determine whether an employee is considered full-time. There are two types of measurement periods:
  - A ***standard measurement period*** is an employer-designated period that has fixed dates and applies to an entire group of employees.

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About Attendance on Demand

Attendance on Demand leverages over three decades of specific expertise in providing businesses of all sizes cost-effective, easily deployed time and attendance solutions. The Software-as-a-Service offers scalable subscription pricing and advanced features for managing labor data—calculating pay rules, scheduling employees, budgeting labor, automating record keeping for labor law compliance, and more. An extensive North American distribution network helps organizations use Attendance on Demand to reduce labor expenses and improve decision making. Go to www.attendanceondemand.com or call 1-800-465-9980 for more information.

  – An ***initial measurement period*** is for *new variable-hour and seasonal employees*. Its start date varies for each employee, based on the employee's start date.
- The ***administrative period*** is an optional period that allows time to notify and enroll eligible employees for coverage. Administrative periods begin at the end of the measurement period and may last up to 90 days.
- A ***stability period*** immediately follows the administrative period (or measurement period if an administrative period is not invoked) during which the employee is treated as full-time or non-full-time according to the findings during the measurement period. The stability period is at least six consecutive months and no shorter than the measurement period for full-time employees, but no longer than the measurement period for non-full-time employees.

Employers adopting a 12-month "look-back" measurement period followed by a 12-month stability period in 2014 will face time constraints. Consequently, for stability periods beginning in 2014 only, employers can opt for a transitional measurement period between six and 12 months that begins no later than July 1, 2013.

4. Establish Your Determination Processes According to the Four Types of Employees

To further assist employers, the IRS designates four types of workers who may require different determination processes:

- ***Ongoing employees***—Workers currently employed by the organization for at least one complete standard measurement period. The standard measurement, administrative, and stability periods apply to these employees.
- ***New full-time employees***—Workers newly hired by the organization who are expected to work 30 hours per week or more and are not seasonal. The employer must offer health coverage before the conclusion of the employee's first three months of employment to avoid penalty.
- ***New variable-hour employees***—Employees, based on the start date of their employment, for which it cannot be determined that they are "reasonably expected" to work an average of 30 hours per week. Their safe harbor periods are different:

New Employee Variable-hour Determination Process	
Measurement Period	An "initial measurement period" designated by the employer of three to 12 months, based on employee start date
Administrative Period	A period of up to 90 days prior to the stability period; it cannot extend beyond the last day of the first calendar month beginning on or after the one-year anniversary of the employee's start date
Stability Period	Must be the same length as the stability period an employer designates for ongoing employees

- ***New seasonal employees***—New seasonal employees are treated like new variable-hour employees.

5. Use Your Time and Attendance System to Automate Compliance

Beginning in 2014 (for filing in 2015), applicable large employers are required to report a monthly accounting of full-time employees to the IRS. The majority of employers will rely on 2013 time records to make an accurate determination. The best way to capture accurate time histories is by employing a reliable time and attendance system featuring:

- Automatic FTE and average weekly hour calculations
- Tools and reports to streamline scheduling for more effective part-time worker management
- Reports for reviewing employee status
- Budgeting for scheduled and actual hours
- Web access, giving managers 24/7 access to reports and tools
- Dashboard interface for managers with status alerts
- Employee self-service, allowing employees to directly capture hours worked for accurate time reporting
- Built-in reporting functionality to run custom or pre-designed determination process reports, providing a valuable paper trail of the organization's determination efforts

As 2014 approaches, watertight recordkeeping and accurate assessment is critical to PPACA compliance, requiring employers to prepare now with an effective time and attendance system. Attendance on Demand is designed to support PPACA compliance with features that smooth health care reform transition for your organization. ■

This article simplifies a complex Act as it is understood by Attendance on Demand, Inc. It is not to be taken as legal advice. For further information about PPACA compliance, please contact the U.S. Department of Labor or Internal Revenue Service.