



PPACA Shared Responsibility

Ensuring Healthcare Reform Compliance

Summary

As the impact of healthcare reform increases, employers must prepare for their new obligations and responsibilities under the Patient Protection and Affordable Care Act (PPACA). A primary challenge for employers is determining which employees are considered full-time under the Act and must be offered coverage. This paper examines the expanded “determination process” the IRS suggests for four different types of employees and how a time and attendance system can ease the process, providing data for accurate decision-making and supporting the organization’s due diligence.

PPACA's Central Challenge

Employers have a lot to do to prepare for reforms under Patient Protection and Affordable Care Act (PPACA), especially those in the retail, hospitality, restaurant and healthcare industries. The most primary issue facing employers is determining which employees qualify as full-time, making them eligible for shared responsibility coverage under the Act.

PPACA defines a full-time employee as one that works at least 30 hours per week (or provides 130 hours of service total) in any given month. Although seemingly straightforward, this calculation is difficult for employers to apply to new hires, variable-hour workers and seasonal workers. But accurately identifying full-time employees is crucial since a qualifying “applicable large employer” can face a penalty of up to \$2,000 per employee if workers are not correctly offered coverage.

Applicable Large Employers—Who Qualifies?

Only organizations that meet the definition of applicable large employers are subject to PPACA mandates (and accompanying penalties). Applicable 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, resulting in the number of FTEs the organization employs. An employer must combine the number of full-time employees and FTEs to accurately determine if it meets the applicable large employer criteria.

In most cases, employers will know if they meet the applicable large employer criteria without doing full-time and FTE calculations. However, to ease the process for those organizations on the threshold, the IRS is offering transition relief to give employers a chance to determine their status prior to 2014. Instead of using the entire 2013 calendar year to calculate employer status, transition relief allows organizations to use a period of six consecutive months in 2013 to determine if it employs an average of at least 50 full-time employees (or FTEs) on business days, thereby qualifying it as a large employer.

Additionally, the IRS announced further measures to assist employers in preparing for compliance obligations. In its Transition Relief for 2014 notice, applicable large employers (and other providers of minimum essential coverage) are granted a penalty-free grace period during 2014 during which they are encouraged to “voluntarily comply” with information reporting provisions and health coverage obligations, although accompanying penalties will not go into effect until 2015. Not only do these measures give employers added time to determine their status, they also provide organizations an opportunity to implement a compliance plan before PPACA goes into full effect in 2015.



Safe Harbor: The Determination Process

In an attempt to expand and clarify PPACA's full-time status provision, the Internal Revenue Service (IRS) issued "safe harbor methods" that applicable large employers can use to determine the full-time status of their employees. The IRS outlined a determination process that includes three periods: a measurement period, an administrative period and a stability period.

A **measurement period** is an employer-designated period of time used to determine whether an employee is considered full-time (that is, works an average of at least 30 hours per week or 130 hours per month). There are two types of measurement periods:

- A **standard measurement period**, defined as a "look-back" period of time from three to twelve consecutive months used to assess the full-time status of ongoing employees.
- An **initial measurement period**, which is a period of three to twelve consecutive months used to determine full-time status of new variable-hour and seasonal employees.

The **administrative period** is an optional period employers can take to allow 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. However, the administrative period cannot reduce or lengthen either the measurement period or the stability period.

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 a full-time or non-full-time worker according to the findings during the measurement period. The stability period is at least six consecutive months and no shorter than the duration of the measurement period.

Types of Workers: Ongoing, New, Seasonal and Variable-Hour

To further assist employers, the IRS designates four types of workers that may require distinctly different determination processes. These employee types include:

1. **Ongoing employees.** Workers currently employed by the organization for at least one complete standard measurement period.
2. **New employees.** Workers newly hired by the organization.
3. **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.
4. **New seasonal employees.** Workers that perform services on a seasonal basis such as retail workers employed only during the holiday season or (including but not limited to) workers covered by the Migrant and Seasonal Agricultural Worker Protection Act [29 CFR 500.20(s)(1)]. However, in determining PPACA eligibility, they are defined in context of the size of their employer's workforce. If an employer's workforce exceeds 50 full-time employees for 120 days or less per calendar year, and if the employees in excess of 50 were employed at or less than 120 days were seasonal, the employer is not considered an applicable large employer.



Determining Full-Time Status

By delineating four different types of workers, the IRS outlines a determination process for each, including the measurement, administrative and stability periods, to help employers assess full-time status.

Ongoing Employee	
Measurement period	“Standard measurement period” of between three to twelve consecutive months to determine if employees meet full-time criteria
Administrative period	An optional administrative period of up to 90 days following the measurement period to allow employers to notify and enroll qualified employees for coverage
Stability period	Once a worker’s full-time (or non-full-time) status is determined, they are treated as such for a “stability period” equal to the duration of the measurement period or at least six consecutive months following the measurement period

New Employee – Full-time Hire	
If a new employee is hired for full-time work, an employer must offer the employee health coverage before the conclusion of the employee’s first three months of employment to avoid a penalty payment	

New Employee – Variable-hour or Seasonal	
Measurement period	An “initial measurement period” designated by the employer of three to twelve months to determine if the employee qualifies as full-time
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



Transitioning from New Employees to Ongoing Employees

Once a new employee has completed the employer’s standard measurement period, the employer must determine the new employee’s full-time status under the same measurement, administrative and stability periods as its ongoing employees.

When an employer has decided on its determination process, organizations need a failsafe way to record, calculate and assess hours worked for each employee type.

PPACA Compliance: Why Your Time and Attendance System Matters NOW

Beginning in 2015, applicable large employers must report the full-time status of each employee to the IRS. That means a majority of employers using a 12-month measurement period will rely on 2014 time records to make an accurate determination. The best way to capture accurate time histories is by employing a reliable time and attendance system.

The right time and attendance system will provide employers with accurate hourly calculations to determine the appropriate status of employees, as well as providing other workforce management benefits such as reducing administrative costs and driving productivity.

To best assist with the determination process, an ideal time and attendance system will offer:

- Automatic FTE and average weekly hour calculations
- Tools and reports to streamline scheduling for more effective part-time worker management
- Screens 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

With these key features, employers can execute an effective determination process and make accurate decisions about employee status.

Time and Attendance Oversight: Why It Matters

Regulations surrounding PPACA, FLSA (Fair Labor Standards Act) and FMLA (Family and Medical Leave Act) have increased the need for time and attendance oversight in every organization.

Specifically, watertight record keeping and accurate assessment is critical to PPACA compliance, requiring employers to prepare now with an effective time and attendance system. The right time and attendance system is vital to providing ongoing proof of an employee's status and plays an integral part in workforce management reporting to drive productivity, reduce administrative costs and lower risk from regulatory noncompliance.

Even large employers that generally provide health coverage to full-time employees will need to track and record hours worked to comply with reporting and payment obligations of PPACA's shared responsibility assessment. Choosing a time and attendance system designed to support PPACA compliance with features that make identifying full-time status easier will smooth the health care reform transition for every organization.



This document 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 at www.dol.gov or 1-866-4-USA-DOL.

About Attendance on Demand, Inc.

Attendance on Demand supports the labor management needs of thousands of companies and more than a half million employees across North America. Launched in 2006, Attendance on Demand is a rapidly deployed, cloud-based solution that minimizes a company's risk and technology investment while providing advanced features for securely managing labor data—calculating pay rules, scheduling employees, budgeting labor, and automating recordkeeping for labor law compliance. With standard uptime over the industry average of 99.995% and above average customer retention rates, Attendance on Demand removes the worry of maintaining expensive infrastructure. An extensive North American distribution network helps organizations use Attendance on Demand to reduce labor expenses and improve decision making.

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