Affordable Care Act

2015 ACA Overview

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Employer Mandate

Requirement to Offer Coverage

The employer mandate applies to applicable large **employers with 50 or more full-time employees** (including full-time equivalents). It requires large employers to either offer full-time employees and their dependents minimum essential coverage that is affordable and meets minimum value requirements, or risk paying an excise tax (penalty).

The penalty will go into effect in 2015 for **employers with 100 or more full-time employees and full-time equivalents**, and 2016 for most employers with 50-99 full-time employees and full-time equivalents (so long as they qualify under transition relief). A penalty would generally apply if an employee applied to the public exchange and was deemed eligible for a subsidy either because the employee did not receive an offer of minimum essential coverage or the coverage the employer did offer did not meet minimum value or affordability requirements.

If the employer does not offer minimum essential coverage, the employer may be subject to a $2,000 per full-time employee per year penalty if even just one full-time employee applies and is found eligible for an applicable premium tax credit or cost-sharing reduction under the public insurance exchange.

If the employer's coverage meets minimum essential coverage but the **coverage is deemed unaffordable and does not provide minimum value** for some full-time employees, those employees may also obtain health insurance through a public insurance exchange and qualify for an applicable premium tax credit or cost-sharing reduction. In such case, the penalty would be $3,000 per full-time employee who qualified for the applicable premium tax credit or cost-sharing reduction.

The penalty enforcement was delayed until 2015; the penalty amount is based on a 2014 enforcement date. The penalty amounts ($2,000 and $3,000) will be adjusted annually, starting in 2015.

Penalties

Penalty for Large Employers <u>Not</u> Offering Coverage

The monthly penalty assessed to an employer who does not offer coverage will be equal to the number of its full-time employees minus 30 (the penalty waives the first 30 full-time employees) multiplied by one-twelfth of $2,000 for any applicable month. The penalty enforcement was delayed until 2015.

Penalty for Large Employers Offering Coverage

If the employer's coverage fails to meet one of two criteria, the employee offered employer-sponsored coverage can obtain premium credits for exchange coverage:

1. **Affordability:** The individual's required contribution toward the plan premium for self-only coverage cannot exceed 9.5% of his/her household income. The second criterion has to do with adequacy.
2. **Minimum Essential Coverage:** The health plan for coverage offered must meet the minimum essential coverage requirements.

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Employers who offer health insurance coverage that is unaffordable or inadequate will not be treated as meeting the employer requirements if at least one full-time employee declines their coverage and obtains a premium credit in an exchange plan.

The penalty enforcement was delayed until 2015. The monthly penalty assessed to an employer for each full-time employee who receives a premium credit will be one-twelfth of $3,000 for any applicable month. The total penalty for an employer is the total number of the firm's full-time employees minus 30, multiplied by one-twelfth of $2,000 for any applicable month.

→ *Automatic Enrollment*

The Bipartisan Budget Act of 2015 (H.R. 1314) - signed into law by President Barack Obama on November 2, 2015 – repealed the Automatic Enrollment section of the Affordable Care Act (ACA). This provision would have required **employers with more than 200 full-time employees to automatically enroll new full-time employees in one of the employer's health benefits plans.**

The provision was considered to be confusing. There was concern that this could cause complications for both employers and employees. For example, an automatically enrolled employee might have coverage elsewhere, such as under a spouses plan; the employee might find themselves covered under a plan they do not need or want.

→ *Excise Tax on High-Cost Coverage (Cadillac Tax)*

Beginning in 2018, a 40 percent excise tax will be imposed on the value of health insurance benefits exceeding a certain threshold. The thresholds are $10,200 for individual coverage and $27,500 for family coverage (indexed to inflation). The thresholds increase for individuals in high-risk professions and for employers that have a disproportionately older population.