

THE AFFORDABLE CARE ACT (ACA) & the BOTTOM LINE FOR YOUR BUSINESS



Beginning January 1, 2014 all employers with 50 or more full-time equivalent employees must offer “affordable” healthcare coverage or face serious penalties. Unfortunately for many employers the time to take action may have already begun.

What does this mean for you?

Ultimately, you’ll have to make difficult decisions very soon that may significantly impact the bottom line of your business and the benefits offered to your employees. The good news is, you don’t have to face this challenge alone, Link Staffing can help.

To get started, you’ll need to understand these important terms and definitions:

FULL-TIME EMPLOYEE Any employee who works an average of 30 hours or more per week (1,560 hours or more during the previous 12 months)

FULL-TIME EQUIVALENT (FTE) Total part-time hours ÷ 130hrs/month based on the look back period = # of FTEs
An example for a 12 month look-back period with 12,480 total part-time hours during that period:
 $12,480 \div 1560 = 8$ FTEs

THE 12-MONTH “LOOK-BACK” RULE Beginning January 1, 2014 companies must “look-back” over a period of time between January 1, 2013 - January 1, 2014 to determine if they are subject to the new law. Employers have an option to choose the length of time between 3-12 months and most experts agree that 12 months will be the standard “look-back” period used to determine compliance. This means that employers must begin evaluating their number of full-time and full-time equivalent employees (FTE) count as of January 1, 2013 (based upon a 12 month “look-back” election).

DEFINING “AFFORDABLE” In effort to reduce health insurance costs, ACA requires employers to offer “affordable” health insurance to every employee. “Affordable” health insurance is defined as follows:

“Affordable” Health Insurance: The employee’s share of an employer-offered insurance premium cannot exceed 9.5% of the employee’s W-2 wages.

THE PENALTIES **Failure to offer coverage** - \$2,000 nondeductible excise tax per employee in excess of the 30 employee exemption.
Failure to offer “affordable” coverage - \$3,000 excise tax per employee who receives a tax credit through a state-based health insurance exchange.

DO YOU MEET THE 50 EMPLOYEE TEST CRITERIA? So, how do you determine if you meet the test? It’s not quite as straight-forward as you might think. Take a look below to get a sense of your exposure.

THE 50 EMPLOYEE TEST CALCULATION

Full-Time Employees + Full-Time Equivalents = Your Total Employee Count

If your employee count is 50 or higher, you will be required to offer your employees affordable health insurance beginning January 1, 2014 or face serious tax penalties.



POTENTIAL PENALTIES UNDER THE AFFORDABLE CARE ACT (ACA)

Start Here

Does the employer have at least 50 full-time equivalent employees?

NO

Penalties do not apply

If the employer has 25 or fewer employees and an average wage up to \$50,000, the employer may be eligible for a health insurance tax credit.

YES

Does the employer offer coverage to its workers?

NO

Did at least one employee receive a premium tax credit or cost sharing subsidy in an Exchange?

YES

The employer must pay a penalty for not offering coverage.

The penalty is \$2,000 annually x the number of full-time employees - 30. The penalty is increased each year by the growth in insurance premiums.

YES

Does the insurance pay for at least 60% of covered healthcare expenses for a typical population?

NO

Employees can choose to buy coverage in an Exchange and receive a premium tax credit.

The employer must pay a penalty for not offering affordable coverage.

The penalty is \$3,000 annually for each full-time employee receiving a tax credit, up to a maximum of \$2,000 x the number of full-time employees - 30. The penalty is increased each year by the growth in insurance premiums.

YES

Do any employees have to pay more than 9.5% of W-2 wages for employer offered coverage?

YES

Those employees can choose to buy coverage in an Exchange and receive a premium tax credit.

NO

There is no penalty payment required of the employer since they offer affordable coverage.

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