EMPLOYER MANDATE

ELEVANTA® HEALTH

Are you required to comply with the Patient Protection and Affordable Care Act (PPACA or ACA)?

Under the ACA's employer shared responsibility provisions, applicable large employers or ALE's, are required to offer an “affordable” medical plan that provides “minimum value” (covers at least 60% of the total allowed cost of benefits that are expected to be incurred) to their full-time employees (and their dependents). If an ALE does not offer affordable, qualifying health coverage to at least 95% of its full-time employees (and their dependents), a potential IRS penalty could be assessed, also referred to as the "pay-or-play provision".

So, how do you know if you have to comply with the Employer Shared Responsibility Mandate in 2021?
**** You must comply if you have a combination of 50 or more full-time employees and FTEs**

HOW DO I DETERMINE IF I HAVE 50 OR MORE FULL-EMPLOYEES OR FTEs?

- **Full-Time Employees –** A full-time (FT) employee averages 30 or more hours of service each week. Use 130 hours of ser-vice in a calendar month as the monthly equivalent of 30 hours of service per week.
- **Part-Time Employees –** Hours worked by employees with fewer than 30 hours per week must be counted – and dividedby 120 per month – to determine the number of full-time equivalent (FTE) employees. The number of FTEs is then addedto the actual full-time employee count.
- You can use **ANY SIX** consecutive months during 2021 to determine your FTEs.

EXAMPLE: From May 1 - Nov. 1, 2021, you average 10 employees who work 25 hours per week.
25 hrs x 10 employees = 250 hrs. 250 hrs x 4 weeks per month = 1000 hrs per month/120 = 8 FTEs.
So, if you have **42** full-time employees and **8** FTEs, you hit that 50 mark.

HOW DO I KNOW IF I MEET THE EMPLOYER SHARED RESPONSIBILITY MANDATE IN 2021?

- You *offer* health care coverage to at least **95%** of your employees and dependents (*spouses are not dependents*).
- You *offer* health care coverage with an accepted minimum value (Percentage of costs of covered services is at least **60%** of the expected cost).

WHAT ARE THE PENALTIES IF I DON'T MEET THE EMPLOYER SHARED RESPONSIBILITY MANDATE IN 2021?

- IF you choose not to offer coverage to any employees, you will pay **$2,700* annually per employee**, minus the waivers (30).
- IF you offer coverage but any of your employees are verified to receive a subsidy in the marketplace because the coverage you offered was not considered affordable or adequate, you will pay **$4,060* annually per employee** receiving a subsidy.

*Penalties are calculated and assessed monthly (**$2,700 = $225/month, $4,060 = $338/month**). The maximum penalty is the lesser of the two penalties. Penalties are expected to increase yearly by the percentage growth in insurance premiums.

Non-calendar-year plans, like **ELEVANTA HEALTH**, must comply at start of plan year (i.e. May 1, 2021), **NOT** January 1, **IF** they:

- Maintained non-calendar-year plan before December 27, 2018
- Did not modify plan year after December 27, 2018
- Did not change eligibility rules after February 9, 2020
- Employers must qualify for fiscal-plan transition relief using one of the significant percent options

DETERMINING AFFORDABILITY

ELEVANTA HEALTH

Is the employee contribution amount for your group health insurance considered affordable?

When offering employer-provided health care to your employees, you must ensure the amount (monthly or annual) the employee is required to contribute to their premium is considered "affordable," or risk a penalty if that employee is verified as eligible for a subsidy for health insurance purchased on the marketplace. Under the ACA, employer coverage is considered affordable if the employee's required contribution for employee-only coverage does not exceed 9.83% percent of the employee's household income for the taxable year.

So, how do you determine an employee's household income for the taxable year? Regulators have provided employers with three safe harbor methods to calculate affordability:

W2 SAFE HARBOR

Determine affordability by referring to an employee's wages reported in box 1 of Form W-2. This can be done one of two ways:

1. After the calendar year on an employee-by-employee basis. Determine whether you met the Form W-2 safe harbor for 2020 by looking at an employee's wages reported on the 2020 Form W-2 that is out in January 2021.
   EXAMPLE 1: $12,760 (federal poverty level for a single individual household)
2. You may also use this safe harbor prospectively at the beginning of the year, to set the employee contribution so it would not exceed 9.83% of that employee's Form W-2 wages through April 2021. To do this, instruct your payroll processor to deduct exactly 9.83% from the employee's W-2 wages each pay period.

EXAMPLE: 9.83% of $12,760 = $1,254.31/12 months = $104.53 per month If the employee's monthly contribution is equal to or less than $104.53 per month, it is considered affordable.

FEDERAL-POVERTY-LINE SAFE HARBOR

An employer may rely on a safe harbor using the current 2021 federal poverty line for a single individual household, which is an annual salary of $12,760 for the year 2021. Employer-provided coverage is affordable if the employee's cost for employee-only coverage under the plan does not exceed 9.83% of the federal poverty line for a single individual.

EXAMPLE: 9.83% of $12,760 = $1,254.31/12 months = $104.53 per month if the employee's monthly contribution is equal to or less than $104.53, it is considered affordable.

RATE-OF-PAY SAFE HARBOR

You may apply this safe harbor to an hourly employee even if the employee's rate of pay is reduced during the year. In this situation, the rate of pay is applied separately to each calendar month, rather than to the entire year and the employee's required contribution may be treated as affordable if it is affordable based on the lowest rate of pay for the calendar month multiplied by 130 hours.

- Take the hourly rate of pay for each hourly employee who is eligible to participate in the health plan as of the beginning of the plan year. EXAMPLE: $7.50 per hour
- Multiply that rate by 130 hours per month (the benchmark for full-time status for a month under the ACA).
- Determine affordability based on the resulting wage amount.

Under this safe harbor, the employee's monthly contribution amount is affordable if it does not exceed 9.83% of the monthly wages. For salaried employees, use monthly salary instead of an hourly salary multiplied by 130.

EXAMPLE 1: $7.50 x 130 = $975 | 9.83% of $975 = $95.84 If the employee's monthly contribution is equal to or less than $95.84, it is considered affordable.
EXAMPLE 2: Employee receives pay increase to $8.50 x 130 = $1,105 | 9.83% of $1,105 = $108.62. If the employee's monthly contribution for those months is equal to or less than $108.62, it is considered affordable.

NOTE: Employer Reporting (Section 6065) will require employers to indicate which safe harbor method they used.