Information about the Affordable Care Act

ACA at a glance™

Shared Responsibility

Large Employers are subject to the Shared Responsibility (Play or Pay) provision of the Affordable Care Act, which imposes two types of penalties for not providing sufficient health coverage to employees.

Penalties

Penalties are triggered by one or more full-time employee receiving a premium tax credit or cost-sharing subsidy in the Marketplace.

The first penalty comes from a failure by a Large Employer to offer Minimum Essential Coverage to substantially all (95 percent) of its Full-time Employees and their dependents. If the employer does not offer this coverage, it must pay an annual fine of $2,000 multiplied by the number of Full-time Employees, minus 30.

Example: An employer with 100 Full-time Employees that only offers coverage to 85 employees will pay a penalty of $140,000 ($2,000 x 70 Full-time Employees) if one or more of its employees receives subsidized health coverage in the Marketplace.

The second penalty applies when the employer offers Minimum Essential Coverage to its Full-time Employees, but the coverage is not Affordable or does not provide Minimum Value. If an employer does not meet the Affordable or Minimum Value standards it will be subject to an annual fine of $3,000 multiplied by the number of employees who receive subsidized health coverage in the Marketplace.

Upcoming Issues

>Community Rating
>Penalties
>Guaranteed issue and employer responsibility
>Metallic Plans
>Annual and lifetime limits
>Marketplaces - Formerly know as Exchanges
>Employer Tax Credits

On the Web

For more information about the ACA, visit selecthealth.org/reform. Topics include:

> Claims and appeals
> Lifetime limits
> Tax credits
> Pre-existing conditions
> Dependent care expansion
> Preventive care

Example: An employer with 100 Full-time Employees offers Minimum Essential Coverage to 95 percent or more of its employees and dependents. However, the coverage is not Affordable for 20 of those employees and ten of them receive subsidized coverage in the Marketplace. The employer must pay an annual penalty of $30,000 ($3,000 x 10 employees).

Key Terms:

> Minimum Essential Coverage: A very broad term that includes most employer-sponsored medical plans.
> Large Employer: A company that employs an average of 50 or more Full-time Equivalent Employees on business days during the preceding calendar year.
> **Full-time Employee:** An employee that works an average of 30-hours per week.
> Full-time Equivalent Employee (FTEE): To calculate the number of FTEEs that month, divide the total number of service hours for part-time employees that month (not to exceed 120 hours for any one employee) by 120.
> Dependents: Children younger than age 26, including adopted, foster, and stepchildren. Does not include spouses.
> **Minimum Value:** Insurance pays for at least 60 percent of expected covered healthcare expenses.
> **Affordable:** Employee cost for self-only coverage in lowest-cost Minimum Value plan is no more than 9.5 percent of household income. An employer may use the employee’s W-2 earnings or rate of pay for this calculation.
> Marketplace: Formerly referred to as Exchanges.

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