



Health Care Reform **Bulletin**

Employer Mandate Delayed Until 2016 for Medium-sized Employers

Provided by Power Kunkle Benefits Consulting

Quick Facts

- On Feb. 12, 2014, the Treasury published final regulations on the employer mandate.
- Compliance for medium-sized applicable large employers is delayed until 2016.
- To be eligible for the delay, the ALE must provide an appropriate certification.
- ALEs with 100 or more full-time (and FTE) employees must comply in 2015.

Applicable large employers that have fewer than 100 full-time employees (including full-time equivalent employees) will have an additional year, until 2016, to comply with the pay or play rules.

The Affordable Care Act (ACA) imposes a penalty on applicable large employers (ALEs) that do not offer minimum essential coverage to full-time employees and their dependents. ALEs that offer this coverage may still be liable for a penalty if the coverage is unaffordable or does not provide minimum value. The ACA's employer mandate provision is often referred to as the "employer shared responsibility" or "pay or play" rules.

On Feb. 10, 2014, the U.S. Treasury Department released [final regulations](#) implementing the ACA's employer shared responsibility provisions. The regulations took effect on Feb. 12, 2014.

Under the final regulations, applicable large employers that have fewer than 100 full-time employees (including full-time equivalent employees, or FTEs) generally will have an additional year, until 2016, to comply with the pay or play rules. ALEs with 100 or more full-time employees (including FTEs) must comply with the pay or play rules starting in 2015.

Delay for Medium-sized Businesses

According to the Treasury, approximately 96 percent of employers are small businesses that have fewer than 50 full-time employees

(including FTEs) and are exempt from the employer responsibility provisions. The employer shared responsibility provisions apply only to employers that have 50 or more full-time employees (including FTEs).

The final rules delay implementation for medium-sized ALEs that are covered by the employer mandate. ALEs that have fewer than 100 full-time employees (including FTEs) will have an additional year, until 2016, to comply with the pay or play rules. Thus, the employer shared responsibility provisions will generally apply to:

- Employers with 100 or more full-time employees (including FTEs) starting in 2015; and
- Employers with 50-99 full-time employees (including FTEs) starting in 2016.

To qualify for this delay, an ALE must provide an appropriate certification stating that it meets the following three eligibility conditions:

1. The employer must employ a limited workforce of at least 50 full-time employees (including FTEs) but fewer than 100 full-time employees (including FTEs) on business days during 2014;



2. During the period beginning on Feb. 9, 2014, and ending on Dec. 31, 2014, the employer may not reduce the size of its workforce or the overall hours of service of its employees in order to satisfy the workforce size condition; and
3. During the coverage maintenance period (that is, the period ending Dec. 31, 2015, or the last day of the plan year that begins in 2015), the employer may not eliminate or materially reduce the health coverage, if any, it offered as of Feb. 9, 2014.

Under the [section 6056 employer reporting final regulations](#), ALEs eligible for this transition relief will still report under section 6056 for 2015. An ALE that otherwise qualifies for this delay will provide this certification as part of the section 6056 transmittal form it is required to file with the IRS.

However, under the final regulations, ALEs that change their plan years after Feb. 9, 2014, to begin on a later calendar date are not eligible for the delay.

2014 Transition Relief Extended to 2015
The final regulations also extend to 2015 a package of limited transition rules provided for 2014 under the proposed regulations. These transition rules include:

- *Employers first subject to shared responsibility provisions:* Employers can determine whether they had at least 100 full-time or full-time equivalent employees in the previous year by reference to a period of at least six consecutive months, instead of a full year.
- *Non-calendar year plans:* ALEs with plan years that do not start on Jan. 1 will be able to begin compliance with the employer mandate at the start of their plan years in 2015 rather than on Jan. 1, 2015, and the conditions for this relief are expanded to include more plan sponsors. However, ALEs that change their plan years after Feb. 9,

2014, to begin on a later calendar date are not eligible for the delay.

- *Dependent coverage:* The policy that ALEs offer coverage to their full-time employees' dependents will not apply in 2015 to employers that are taking steps to arrange for such coverage to begin in 2016.
- *Measurement and stability periods:* On a one-time basis, in 2014 preparing for 2015, ALEs using the look-back measurement method to determine full-time status may use a measurement period of six months, even with respect to a stability period—the time during which an employee with variable hours must be offered coverage—of up to 12 months.

New Pay or Play Transition Relief for 2015
Additionally, the final regulations include a number of new transition rules in 2015.

The first new transition provision applies for ALEs that offer coverage to most, but not all, full-time employees in 2015. To avoid a payment for failing to offer health coverage in 2015, ALEs will need to offer coverage to 70 percent of their full-time employees.

Under the second new transition provision, employers that are new ALEs will not be subject to penalties for January through March of their first year of applicability, as long as they offer employee coverage that provides minimum value on or before April 1.

Finally, the final regulations provide that if an ALE offers coverage to a full-time employee no later than the first day of the first payroll period that begins in January 2015, the employee will be treated as having been offered coverage for January 2015.

More Information on Large Employer Status
For more information on the employer shared responsibility regulations, see the most recent [IRS Questions and Answers](#).

Source: U.S. Treasury Department

