

## Health Care Reform—how will it impact you?

# Circumstances of an Employer Shared Responsibility Payment

*Under the Affordable Care Act (ACA) and beginning in 2014, employers employing at least 50 full-time employees and full-time equivalents will be subject to the Employer Shared Responsibility Provisions under 4980H of the IRS code.*

### **Under what circumstances will I owe an Employer Shared responsibility payment?**

In 2014, if you reach the 50 full-time or full time-equivalent employee threshold, you will be liable for an Employer Shared Responsibility payment only if:

- a) The employer does not offer health coverage or offers coverage to less than 95% of its full time employees, and at least one of the full-time employees received a premium tax credit to help pay for coverage on an exchange **OR**
- b) The employer does not offer health coverage or offers coverage to less than 95% of its full time employees, but at least one full-time employee receives a premium tax credit to help pay for coverage, which may occur because the employer offered coverage that was either unaffordable or did not provide minimum value.

### **How do I know if the coverage I offer is affordable?**

If an employee's share of the premium for employer-provided coverage would cost the employee more than 9.5% of that employee's annual household income, the coverage is not considered affordable for that employee.

If an employer offers multiple healthcare coverage options, the affordability test applies to the lowest-cost option available to the employee that also meets the minimum value requirement (see question 12, below.)

Because employers generally will not know their employees' household incomes, employers can take advantage of one of the **affordability safe harbors** set forth in the proposed regulations. Under the safe harbors, an employer can avoid a payment if the cost of the coverage to the employee would not exceed 9.5% of the wages the employer pays the employee that year, as reported in Box 1 of Form W-2, or if the coverage satisfies either of two other design-based affordability safe harbors.

### **How do I know if the coverage provides minimum value?**

A minimum value calculator will be made available by the IRS and the Department of Health and Human Services (HHS). It will work in a similar fashion to the [actuarial value calculator](#) that HHS is making available. Employers can input information about the plan, such as deductibles and co-pays, into the calculator and get a determination as to whether the plan provides minimum value by covering at least 60 percent of the total allowed cost of benefits that are expected to be incurred under the plan.

**Continued...**

## How does the IRS define a full-time employee?

To be subject to the Employer Shared Responsibility provisions and employer must have:

1. At least 50 full –time employees OR a combination of full-time and part-time employees that is equivalent to at least 50 full-time employees. (For example, 100 half-time employees equal 50 full-time employees.)
2. A full-time employee is an individual employed on average at least 30 hours per week. A half-time employee would then work at least 15 hours per week.

## When do the Employer Shared Responsibility provisions go into effect?

January 1, 2014.

## I need help. What do I do?

AFG is dedicated to helping you navigate Health care Reform and determine whether you will owe a Shared Responsibility payment.

For questions or concerns please contact your dedicated Account Manager.

### Sources:

*“Questions and Answers on Employer Shared Responsibility Provisions Under the Affordable Care Act.” December 2013. Accessed at <http://www.irs.gov/uac/Newsroom/Questions-and-Answers-on-Employer-Shared-Responsibility-Provisions-Under-the-Affordable-Care-Act>*

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