

# Overview and Sample Analysis

## ACA Employer Shared Responsibility for Employee Health Coverage

### Overview

#### Section A – Summary of the Employer Shared Responsibility

The Affordable Care Act does not require an employer to provide coverage to its employees. However, an employer with an average of 50\* or more full-time employees in 2016, including full-time-equivalent (FTE) employees, could be subject to a Shared Responsibility Payment if:

- The employer does not offer coverage to at least 95% of its full-time employees and their dependents (children to age 26) **OR**
- The employer offers coverage to its full-time employees that is not “affordable” or does not provide “minimum value”
- **AND** at least one full-time employee receives a Premium Tax Credit to purchase coverage in the health insurance Marketplace (an exchange plan). Eligible individuals will generally have incomes of at least 100% and up to 400% of the current federal poverty level (FPL):

Household Size	100%	133%	150%	200%	250%	300%	400%
1	\$11,880	\$15,800	\$17,820	\$23,760	\$29,700	\$35,640	\$47,520
2	16,020	21,307	24,030	32,040	40,050	48,060	64,080
3	20,160	26,813	30,240	40,320	50,400	60,480	80,640
4	24,300	32,319	36,450	48,600	60,750	72,900	97,200
5	28,440	37,825	42,660	56,880	71,100	85,320	113,760
6	32,580	43,331	48,870	65,160	81,450	97,740	130,320
7	36,730	48,851	55,095	73,460	91,825	110,190	146,920
Each additional person, add	4,160	5,533	6,240	8,320	10,400	12,480	16,640

These 2016 levels are used for calculating eligibility for 2017 Marketplace insurance plans, Medicaid and CHIP. (Contiguous U.S. and D.C.)

#### **Key Definitions**

- **Affordable:** The employee’s 2016 premium share is less than 9.66% of his/her annual W-2 income (9.69% in 2017) under the employer’s least expensive compliant plan.
- **Minimum Value:** The health plan’s share of the total cost of benefits under the plan is at least 60 percent.

Employers not offering qualified coverage in 2016 face a penalty of \$3,240/year times the number of full-time employees receiving a premium tax credit/subsidy for exchange coverage, not to exceed \$2,160/year (\$2,260 in 2017) times the total number of full-time employees minus the first 30 employees.

#### Section B – Counting Employees

To determine whether it is subject to the Employer Shared Responsibility for a given calendar year, the employer looks to the size of its workforce in the *prior* calendar year. Hours are counted in the following manner:

- Hourly Employees: Use actual hours
- Non-Hourly (such as salaried) Employees: The employer may choose any of these methods:
  - Actual hours
  - Days worked equivalency method (e. g. using 8 hours per day)
  - Weeks worked equivalency method (e.g. using 30 or more hours per week)

The employer must use actual hours if the equivalency methods would substantially understate an employee’s hours of service in a manner that would cause the employee to be treated as non-full-time.

\* The Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 provides that employees with medical care through the military (e.g. Tricare or Veterans’ coverage) are not counted toward the 50-employee threshold.