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ACA Matters

Healthcare Reform Guidance for CIS Benefits Members

Issue 1, June 2013

Am I a Large or Small Employer?

January 1, 2014 is a key date in the implementation of the federal Affordable Care Act (ACA), particularly as it applies to employer-sponsored medical coverage. But before you can make any decisions about how your entity will comply with the ACA, you need to answer one basic question: am I a small or large employer? The answer affects compliance requirements, and the penalties for non-compliance.

The answer of “large” or “small” is pretty easy for most employers. But it can be challenging for those who have fewer than 50 regular full-time employees, but employ part-time, seasonal, or temporary employees. Based on whether you are a large or small employer, there are different implications and next steps. These and other ACA provisions will be covered in upcoming newsletters.

What Size Employer Are You?

A “small employer” in any year is one with 2 to 49 full-time equivalent (FTE) employees.

A “large employer” has on average at least **50 full-time employees, including FTEs** on business days during the

ADDITIONAL INFORMATION:

Have questions about the calculation process or other ACA issues?

CIS and our benefit consultants at The Partners Group have teamed up to respond to your ACA questions. Send your question via e-mail to acaanswers@cisoregon.org. You'll receive an initial response within the next business day.

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preceding calendar year. “Full-time” means someone employed for an average of 30 or more hours of service each week. For this purpose, 130 hours of service in a calendar month is deemed the equivalent of 30 hours per week.

Doing the “ACA Math”

Some employers with fewer than 50 full-time employees may reach the 50 threshold by virtue of their part-time and/or seasonal workers. These employers must do the “ACA math” to determine their status as a large or small employer. How you count to 50 makes all the difference, particularly because you have to do it every year.

If you know you are a small employer for 2014 - e.g., the number of your full- and part-time employees don't come anywhere near 50 in 2013 – or you know you are a large employer because you have 50 or more full-time employees, then the remainder of this information does not apply to you.

The ACA regulations state that an employer generally will be “large” if, with respect to the prior calendar year:

$[\text{Monthly average number of full-time employees}] + [\text{Monthly average number of full-time equivalent (FTE) employees}] \geq 50$

The average number is determined by adding the numbers up each month, adding those monthly numbers together, and then dividing by 12 months. (There is an exception for 2013 - see below.)

An employee has to be either a full-time employee, or a full-time equivalent – there is no other classification. However, an employee's classification can change from month to month. An employee is considered “full-time” in any given month if he/she works at least 130 hours. Variable hour employees may move back and forth between “full time” and “full-time equivalent” based on their hours worked in a particular month.



NOTE: The hours discussed in this newsletter are for ACA purposes only, and are not connected with the hours you report on your CIS Request for Coverage (RFC). They serve two completely different purposes.



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So, to determine the number of full-time employees for each calendar month, the employer must count every employee who worked 130 hours or more in that month.

Calculating FTE Employees

To determine an employer's number of FTE employees for each calendar month in the preceding calendar year, the employer must:

1. Determine the employees having at least 130 hours of service for that month (the "true" full-time employees).
2. Calculate the aggregate number of hours of service (but not more than 120 hours of service for any employee) for all other employees for that month;
3. Divide the total hours of service from Step 2 by 120. The result is the number of FTEs for the calendar month (do not drop any fractional amounts);
4. For each month add together the total number of full-time (Step 1) and FTE (Step 3) employees;
5. Add the sum for each month to reach a yearly total; and
6. Divide the yearly total by 12, then disregard any fractions. The result is the number of full-time and FTE employees. If the result is 50 or more, the employer is considered a large employer for that year and is subject to the Shared Responsibility (aka "Play or Pay") rule.

During 2013 only, you do not need to calculate employees based on a full calendar year; you can use a shorter, consecutive period that is at least six months. CIS suggests that you use a January – June, 2013 calculation period, so your entity will know where it stands as you look ahead to 2014. The sample calculation on the following page takes advantage of the 2013 exception, as it illustrates a six month period.



NOTE: If you employ at least 50 full-time employees, regardless of the number of additional FTEs you have, then there is no reason to perform the calculation. You are a large employer.



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Here's an example of how this calculation works.

The City of Wellness has a normal 40-hour work week. It employs 45 regular full-time employees working 40 hours/week. It also has 10 additional employees who work variable or seasonal hours. The non-full-time employees are:

- 1 part-time payroll clerk - variable hours
- 1 part-time utility clerk - variable hours
- 2 summer park maintenance workers working 8 hour days, 5 days/week between Memorial Day & Labor Day (68 work days), and
- 6 summer lifeguards working 8 hour days, 4 days/week between Memorial Day & Labor Day (54 work days).

The City is using the six-month option to calculate its employees in 2013, so it is only going to count hours for January – June, 2013, starting with the actual payroll records:

FTE HOURS OF SERVICE - JANUARY - JUNE 2013 (FROM PAYROLL)

	January	February	March	April	May	June
Payroll Clerk	110	125	142	95	100	138
Utility Clerk	132	95	106	125	85	140
Park Worker 1	0	0	0	0	32	160
Park Worker 2	0	0	0	0	32	160
Lifeguard 1	0	0	0	0	32	128
Lifeguard 2	0	0	0	0	32	128
Lifeguard 3	0	0	0	0	24	128
Lifeguard 4	0	0	0	0	24	128
Lifeguard 5	0	0	0	0	16	128
Lifeguard 6	0	0	0	0	16	128

(1) Determine the employees who are full-time for a month due to working more than 130 hours (which are the clerks in a couple of months and the park workers for June)

(2) Calculate the aggregate number of hours of service (but not more than 120 hours of service for any employee) for all other employees who were not full-time employees for that month.

SEASONAL EMPLOYEES

You will note that seasonal employees are included in the example calculation, as they are required to be. Seasonal employees are defined as those hired for work that is dependent on a particular season, like summer lifeguards, baseball field maintenance workers, etc., whose service does not exceed 120 days in a year.

If – and only if – an employer's count of full-time employees and FTE employees exceeds 50 solely because of the seasonal workers, they can be excluded from the calculation. In the example calculation, the seasonal workers do not cause the employer to exceed 50 employees, so they remain in the count.



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For this second step in the calculation, the actual hours worked are capped so no FTE employee exceeds 120 hours. Note that employees exceeding 130 hours are not included for that month.

**ADJUSTED FTE HOURS OF SERVICE - NOT MORE THAN 120 HOURS -
JANUARY - JUNE 2013**

	January	February	March	April	May	June
Payroll Clerk	110	120	Full-Time	95	100	Full-Time
Utility Clerk	Full-Time	95	106	120	85	Full-Time
Park Worker 1	0	0	0	0	32	Full-Time
Park Worker 2	0	0	0	0	32	Full-Time
Lifeguard 1	0	0	0	0	32	120
Lifeguard 2	0	0	0	0	32	120
Lifeguard 3	0	0	0	0	24	120
Lifeguard 4	0	0	0	0	24	120
Lifeguard 5	0	0	0	0	16	120
Lifeguard 6	0	0	0	0	16	120
Monthly FTE Total:	110	215	106	215	393	720

(3) Divide the total hours of service from Step 1 by 120. The result is the number of FTEs for the calendar month. Do not drop any fractional amounts;

	January	February	March	April	May	June
Divided by 120:	0.92	1.79	0.88	1.79	3.28	6.00

(4) For each month add the total number of full-time and FTE employees;

+ Full-Time Employees	46	45	46	45	45	49
TOTAL Full-Time + FTEs:	46.92	46.79	46.88	46.79	48.28	55.00

(5) Add the Full-Time + FTE total for each month to reach a total (**290.66** in this example) for the 6-month period; and

(6) Divide the total (**290.66**) by the number of months measured (= **48.44**), then disregard any fractions (= **48**)

The **City of Wellness** is a **SMALL** employer with 48 employees for the 2014 year.

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