

# AFFORDABLE CARE ACT

for

EMPLOYERS

The Affordable Care Act, familiar to most as Obamacare, has two mandates baked into it that everyone needs to be familiar with: The individual mandate, and the employer mandate. We want to talk to you about both but are starting off with the employer mandate. Read on, employers and employees; this is information we at Vanderbilt think you need to know.

## What is the employer mandate?

This is the part of Obamacare that requires businesses with 50 or more full-time employees to provide health insurance at a reasonable price.

## When does it kick-in?

The penalty and reporting requirements are extended until 2015, but there are still things that you as an employer need to do as early as October 2013.

## Who does it affect?

If you employ at least 50 full-time employees, or full-time equivalent (FTE) employees, you have to comply with provisions of the act. More explained below.



Employers must notify employees of coverage options by

# 10.01.2013

October 1st, 2013 and notify each new hire thereafter.



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YOU ARE SUBJECT TO THIS REQUIREMENT IF YOU ARE...



An employer with one or more employees who are engaged in, or produce goods for, interstate commerce.



A Federal, state, or local government agency.



A hospital or an institution engaged in the care of the sick, the aged, or the mentally ill or disabled who live on the premises.



A pre-school; elementary or secondary school or institution of higher learning or a school for mentally or physically handicapped children

# \$500,000

Or if you are a company or organization with annual dollar volume of sales or receipts in the amount of \$500,000 or more.

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# WE LOVE *the* DETAILS

As much as we love simplicity, we love details too. Here we present to you the nitty gritty of the act and some of what you need to know to determine your company's eligibility and compliance requirements. This is just the tip of the iceberg. Give us a call to chat more in depth.

## *To whom do the rules apply?*

They apply if you had at least 50 full time employees (at least 30 hours per week or 130 hour per month) during the previous calendar year. Or, if your total employees equals at least 50, calculated as follows:

$$\frac{(\text{Part time workers}) \times (\# \text{ of hours for the month}) \times (\# \text{ weeks in the month})}{120} + \text{Full time employees}$$

## *Ok, it applies to me. Now what do I do?*

You must provide "minimum essential coverage" to full time employees within 60 days of employment. Keep in mind that you don't have to cover part time workers of less than 30 hours per week or 130 hours per month, even though they were counted in determining the applicability of the mandate to you.

Minimum essential coverage = 60% on average of covered health care expenses

## *Sounds lame. What if I just say NO?*

If you don't provide adequate or affordable coverage, penalties apply. Here's how it all shakes out.

### NO COVERAGE PENALTY

Penalty is \$2,000 per year, per employee

Only applies if at least one full time employee is enrolled in a health insurance exchange to which a premium tax credit or cost-sharing reduction is allowed

Only kicks in at a 30 person threshold

Example: 100 employees total, minus the threshold of 30, leaves 70 employees times the penalty rate of \$2,000 = \$140,000 penalty

### NONAFFORDABLE INSURANCE PENALTY

Penalty is \$3,000 per year for each employee who receives a tax credit for enrolling in a state program

The penalty is capped at the "No Coverage Penalty" rate (see left)

Example: Of 100 full-time employees, 20 receive a premium tax credit for enrolling in an exchange program.

Step 1:  $20 \times \$3,000 = \$60,000$   
Step 2:  $100 - 30 = 70 \times \$2,000 = \$140,000$

Penalty is the lesser of the two calculations... \$60,000