



Health Care Reform **Bulletin**

New Employer Mandate Transition Relief for 2015

Provided by Seubert & Associates

Quick Facts

- The requirement to offer coverage to 95 percent of full-time employees will be phased in over two years.
- New ALEs have until April 1 of the first year of applicability to offer coverage.
- Certain 2014 transition relief is extended, including relief for non-calendar year plans.

The final regulations include a number of new transition rules in 2015 for certain types of employers.

The Affordable Care Act (ACA) imposes a penalty on applicable large employers that do not offer affordable, minimum value coverage to full-time employees and their dependents. These penalties are often referred to as the “employer shared responsibility” or “pay or play” penalties.

On Feb. 10, 2014, the U.S. Treasury Department released [final regulations](#) implementing the employer shared responsibility provisions of the ACA.

The final regulations include a number of new transition rules in 2015 for certain types of employers. The final regulations also extend to 2015 a package of limited transition rules provided for 2014 in the proposed regulations.

As these limited transition rules take effect, the Treasury and the IRS will consider whether it is necessary to further extend any of them beyond 2015.

Provisions for Businesses That Offer Coverage to Most, but Not All, Employees in 2015

Under the proposed rules, applicable large employers would need to offer coverage to at least 95 percent of their full-time employees (and dependents) to avoid the most significant

penalties. The final rule provides transition relief that will phase in this requirement over two years, beginning in 2015.

- To avoid a payment for failing to offer health coverage in **2015**, applicable large employers will need to offer coverage to **70 percent** of their full-time employees.
- In **2016 and beyond**, applicable large employers will need to offer coverage to **95 percent** of their full-time employees to avoid these penalties.

This rule is intended to provide relief to employers that, for example, may offer coverage to employees working 35 or more hours per week, but not yet to those employees who work 30 to 34 hours per week.

Calculating the Penalty for Failing to Offer Coverage

In general, the penalty for not offering coverage to substantially all full-time employees (and dependents) is equal to the number of all full-time employees (minus 30 full-time employees) multiplied by one-twelfth of \$2,000 for each calendar month. The final regulations include transition relief for 2015 that allows employers with 100 or more full-



time employees (including full-time equivalent employees) to reduce their full-time employee count by 80 when calculating the penalty.

This relief applies for 2015 plus any calendar months of 2016 that fall within the employer's 2015 plan year.

Transition Relief for New Applicable Large Employers

In addition, the final regulations provide a transition rule for employers that qualify as applicable large employers for the first time. These employers have until April 1 of the first year of being an applicable large employer to offer coverage to a full-time employee who was not offered coverage at any point in the prior calendar year. If this requirement is met, the employer will not be subject to a shared responsibility penalty by reason of its failure to offer coverage to the employee for January through March of that year, as long as the coverage offered on or before April 1 provides minimum value.

Offer of Coverage for January 2015

The final regulations provide, in general, that if an applicable large employer fails to offer coverage to a full-time employee for any day of a calendar month, that employee is treated as not being offered coverage during that entire month. However, the Treasury and the IRS understand that many employers offer coverage for a new year effective as of the first day of the first pay period beginning on or after the first day of the year.

Solely for purposes of January 2015, if an applicable large employer 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. This transition guidance applies only for January 2015.

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:** If certain conditions are met, employers 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.
- **Dependent coverage:** The policy that employers 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, employers 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.

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

