

The Patient Protection and Affordable Care Act (PPACA) will transform health insurance in the United States, ensuring that all Americans have access to quality and affordable health care. The law reform aims to reduce the number of uninsured individuals by expanding insurance coverage and reducing the cost of healthcare. Various provisions have been set forth to require government, insurance companies, medical providers, pharmaceutical and medical device companies, employers, and individuals to share the responsibility of achieving this goal.

What do employers need to know?

Under the *Employer Shared Responsibility Provisions* of the PPACA, an applicable large employer is required to offer minimum essential health care coverage to its full-time employees and their dependents.¹ A qualified employer who does not offer coverage will face penalties of up to \$2,000 annually for each uninsured full-time employee.

Who is considered an applicable large employer?

The PPACA defines an “applicable large employer” as a company or organization that employs 50 or more full-time employees or the full-time equivalent (FTE). An employer’s total FTE takes both full-time and part-time (variable hour) employees into consideration, which can present overwhelming challenges when a workforce consists of many part-time employees.

An employer must accomplish three primary tasks:

- Determine whether or not it is an applicable large employer.
- Identify which part-time employees constitute full-time status according to FTE calculations.
- Define the time periods during which qualified employees are entitled to health care coverage.

How is FTE calculated?

While there are various ways to determine the full-time status of employees and an employer’s total FTE, the safe harbor method is recommended.

To begin with, FTE values must be established for all employees:

- Full-time employee = 1.00 FTE²
- Part-time employee ≤ 1.00 FTE

These values are calculated by dividing an employee’s actual hours worked by the standard service hours.³ When the sum of all employee FTE values is 50 or more, an employer must offer health insurance coverage to employees with an FTE value of 1.00.⁴

¹ Minimum essential coverage is determined by value and affordability as defined by the PPACA.

² Employee FTE value cannot exceed 1.00. Calculations resulting in a value greater than 1.00 are rounded down to 1.00.

³ Standard service hours are the maximum hours for which an employee is paid or entitled to payment (includes work hours, vacation, holidays, jury duty, etc.).

⁴ Part-time employees with an FTE value of 1.00 must be treated as full-time employees under the Employer Shared Responsibility Provisions.

Important Notes

- *The Employer Shared Responsibility mandates will take effect beginning in January 2015.*
- *Small business employers with fewer than 50 FT/FTE are exempt from penalty.*
- *Employers with 50+ FT/FTE are exempt from penalty if no employee receives an individual premium tax credit or cost-sharing reductions.*
- *The calculation of the penalty excludes the first 30 employees.*

Helpful Links

- [IRS: Employer Shared Responsibility Q&A](#)
- [IRS: Determining Full-Time Employees - Safe Harbor Method](#)
- [IRS: Transition Relief](#)

Useful Facts

- Other names for the PPACA:
 - Affordable Care Act (ACA)
 - Obamacare

For more information about PPACA compliance tools, please contact NOVAtime:

1-877-486-6682

- or -

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When is FTE calculated?

To help employers accurately assess the FTE values for both ongoing employees and new hires, the safe harbor method defines specific time periods that are designated to each step of the process.

Ongoing Employee Periods:

- Standard Measurement Period (12 months) – track hours and assess FTE
- Administration Period (1 month) – offer and administer coverage
- Stability Period (12 months) – provide coverage

New Employee Periods:

- Startup Period (3 months) – track hours and assess FTE (no coverage required)
- Initial Measurement Period (12 months, including Startup) – track hours and assess FTE
- Administration Period (1 month) – offer and administer coverage
- Stability Period (12 months) – provide coverage

What are the best ways to ensure compliance?

It is important to begin preparing for the law reform in advance. Although the requirements and penalties related to the Employer Shared Responsibility Provisions will not take effect until 2015, the IRS encourages voluntary compliance in 2014 to allow employers to prepare and test reporting systems and processes.

Complying with the employer mandates through manual processes can entail complex calculations that are time consuming and subject to inaccuracy. Therefore, the most precise and reliable means of determining FTE and employee coverage eligibility is to implement an automated tool that will streamline FTE assessment.

Leading Workforce Management systems are beginning to offer robust PPACA compliance tools that save time and prevent errors that could lead to unwarranted employer penalties. Employers can benefit greatly by investing sufficient time in exploring automated systems to ensure the use of the most suitable and convenient solution.

NOVAtime Technology, Inc. was established in 1999 and is headquartered in Diamond Bar, California. By applying the most innovative technology and providing best practice services, NOVAtime has become a leader in the Time and Attendance / Workforce Management industry. Over 10,000 organizations have benefitted from the use of NOVAtime solutions, and the world's best-managed companies continue to select NOVAtime as the preferred solution provider. For more information about NOVAtime, please visit www.novatime.com or call 1-877-486-6682.