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HEALTHCARE REFORM UPDATE 2015-8



WHAT EMPLOYERS NEED TO KNOW RIGHT NOW ABOUT HEALTH CARE REFORM

Frequently Asked Questions about Tracking Full Time Employees under Play or Pay

Q1: Must full time employees be tracked under the Patient Protection and Affordable Care Act's (PPACA) play or pay rules?

A1: All common-law employees must be tracked under play or pay rules, including ongoing full time employees.

Q2: Why would you track employees that you know are full time?

A2: Tracking full time employees gives you historical information that is necessary to determine how to handle situations such as a leave of absence, a change in hours or position, and to complete related IRS reporting under the play or pay mandate. Employers must determine how they will track full time employees and should inform employees of the system they will use. Determining when an employer is obligated to offer benefits to employees in the above situations will be dictated by the tracking system the employer uses and the hours the employee worked as measured by the tracking system.

Example: Sally has worked as a full time employee of Joe's Widget Factory for 10 years, and receives health benefits through her employer. In March she announces that she wants to reduce her hours to pursue her dream of becoming a professional athlete. She will now work 20 hours a week in order to train.

If Joe's Widget Factory uses the monthly method, it will no longer be obligated to offer coverage once Sally drops below 30 hours

Our access to PPACA Advisor resources can help you clear up PPACA questions and better craft your company's benefit strategy for the future.



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per week for the month. If she eventually decides that she wants to return to work full time, Joe's Widget Factory will be obligated to offer coverage by the first of the month after three full calendar months that Sally was eligible as a full time employee.

If Joe's Widget Factory uses a measurement and lookback method, Sally must be offered coverage through the end of the stability period set up by Joe's Widget Factory. Whether or not she will be offered coverage for the next stability period will be determined by the hours she worked during the contemporaneous measurement period.

Q3: How do you track full time employees?

A3: Full time employees can be tracked on either a monthly basis or a measurement and lookback period. Hourly employees will be credited for each hour worked. For employees that are not paid hourly, you can:

- Track actual hours worked or for which vacation, holiday, etc., are paid
- Credit an employee with 8 hours of work for each day the person was paid at least one hour of work, vacation, holiday, etc.
- Credit an employee with 40 hours of work for each week they are paid for one hour of work, vacation, holiday, etc.

Employers can use different methods for different classes of employees so long as the classes are reasonable and consistently applied. An employer could track actual hours worked for employees at Location A and use the 40 hours method for employees at Location B.

Q4: Are there limits on using these methods?

A4: Yes. An employer cannot use a method that would understate an employee's hours or the total hours worked by its workforce. For example, an employer could not use the eight hours method with an employee who works three 10-hour days per week to reduce him from a full-time/30-hour per week employee to a non-full-time employee.

Q5: How should you inform employees of the tracking system?

A5: It is best practice to update your plan documents to reflect the measurement systems you are using. Employee handbooks should be carefully reviewed to ensure they do not conflict with plan documents, and if you wish, can include language about tracking. Employee handbooks should not be the sole mechanism for notifying employees of how hours are tracked, and extra care should be taken to review them regularly to ensure they are an accurate and up to date.

For guidance on changes in how to handle changes in status, reduction or increase in hours, leaves of absence, and breaks in service under both the monthly measurement and lookback method, please refer to UBA's "Play or Pay, Counting Employees" PPACA Advisor.

5/15/2015