Health Care Reform *and You*

Employer Mandate

In our previous articles on the Affordable Care Act we have mainly discussed the individual mandate. This month we will discuss the Employer Mandate which is another part of the Affordable Care Act. We will explain the mandate, explain the difference between a large and small employer and try to explain the potential penalties for not complying with the mandate.

The Employer Mandate imposes penalties on large employers that do not offer health insurance coverage to their employees or they offer health insurance coverage to their employees but it is not deemed "affordable". This provision was supposed to be in effect for 2014 but was delayed by one year and is scheduled to start in 2015.

As a business owner it is imperative that you know whether or not you are considered a large employer or a small employer.

Are you a large employer or a small employer?
A large employer is defined as an employer that has 50 or more full time employees or a combination of full time employees and full time equivalents. A full time employee is an employee that works over 30 hours per week. An example of a full time equivalent would be 3 employees that work 10 hours a week. Those 3 employees would count as 1 full time employee.

A small employer would be one in which the full time employees and the full time equivalents add up to be less than 50.

Hopefully this clarifies things as it relates to you determining whether or not you are a large employer or a small employer. Moving forward you, as an employer need to know what happens if you are a small employer or a large employer.

What happens if you are a small employer?
You can choose to offer health insurance coverage or not offer health insurance coverage to your employees. You do not face any potential penalties whether or not you offer health insurance coverage to your employees.

What happens if you are a large employer?
If you are considered a large employer and you do not offer health insurance coverage to your employees you face a penalty of $2,000 per employee per year excluding the first 30 employees. Under this scenario, with 50 full time employees you could face a $40,000 penalty. Remember you exclude the first 30 for the penalty, so the penalty is $2,000 times the 20 employees that are counted for the penalty.

If you do offer a health insurance plan, you could still potentially face penalties if your plan is not deemed affordable and you have employees that receive a federal subsidy to purchase coverage. For each employee that receives a federal subsidy, a penalty of $3,000 per year would be assessed, not to exceed what the penalty would have been if coverage had not been offered at all by the company.

As you can see, there are many issues that need to be considered when deciding whether or not your company should or should not offer health insurance coverage to its employees. There are many other issues that we will discuss in future articles including the definition of an "affordable health plan"

Please call us to let us consult with you on all of your Health Care Reform issues and questions.

This article is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel for legal advice.
