ACA – Misconceptions & Pitfalls for Seasonal & Variable Hour Employees

Agenda

- Review ACA status & key concepts
- Illustrate measurement period best practices
- Clarify common misconceptions
- Explain challenges for variable-hour and seasonal workers

Recap ACA

- Recent rulings
- Employer mandate
- Importance of timekeeping
- Applicable Large employer status
- Employee full-time status determination
Current Status

- King v. Burwell
- Decision expected soon
- Little impact for 2015-16

PPACA Employer Mandate

- Offer qualifying health insurance to full-time employees & dependents
  - OR
- Pay penalty if any employee gets federal subsidy for purchasing insurance through marketplace

Employer Shared Responsibility

- $2000 per year
  - No offer of coverage
  - Every full-time employee minus 30
- $3000 per year
  - Penalty for non-qualifying coverage
  - For employees getting subsidy
It all comes down to timekeeping

- Employer penalty based on
  - Applicable large employer status
  - Employee full time status

Determined by employee service hours.

Timekeeping Answers Key Questions

- Is my organization covered?
- Which employees are full time?

Is my organization covered?

- Applicable large employer
  - 50 or more full-time and FTE employees
  - Calendar year designation
Applicable large employer

- For previous calendar year
  - Calculate monthly full time and FTE count
    - Full time = 30/week or 130/month
    - FTE = (monthly part-time hours) ÷ 120
    - FTE hours for individual capped at 120
  - Calculate yearly average

Seasonal exception

- Not an applicable larger employer if...
  - Workforce exceeds 50 employees for 4 months (120 days) or fewer in year
  - Employees in excess are seasonal employees

What is seasonal?

- Work during season typically lasting 6 months or less
- Season occurs at same time of year, each year
Who is full time?

- Full time employee
  - Average 30 service hours/week
  - Or
  - Average 130 service hours/month

Full-time status determination

- Known full time
- Variable hour
- New variable hour & seasonal

Known full time

- Status immediately set to full time
- Offered insurance January 1st
- Within 90 days of hire
Variable hour employees

- Status not known
  - Full-time during peak season, part-time remainder of year
  - Variable, inconsistent schedule
  - Part-time employees
- Measure hours

Determining status

- Measuring variable hour employees
  - Month by month
  - Or
    - Average hours over a measurement period
      - Safe harbor
      - Look-back method

Look-back method

- Measurement period of 3-12 months
- Administrative period (optional) up to 90 days
- Stability period of at least 6 months
  - Not shorter than measurement period for full-time
  - Not longer than measurement period for not-full-time
New variable-hour and seasonal employees

- Status not known at hire
- Measure from start date

New hires and seasonal employees

- Measurement period of 3-12 months
  - Initial periods from start date or first of next month
- Administrative period up to 90 days
  - Period between start date and beginning of measurement period counts
- Stability period same length as standard stability period

New hires and seasonal employees

- Initial measurement + admin period conclude by the end of the month beginning on or after 1st anniversary
  - At most 13 months plus fraction of month
  - Measured from hire date not start of measurement
Illustrate measurement periods

- Ongoing employees
- New hires & seasonal employees
- Best practices

Ongoing employees example

- Stability period Jan. 1 – Dec. 31
- Administrative period Oct. 15 – Dec. 31
- Measurement period 12 months: Oct. 15 – Oct. 14

Ongoing employee example

- Sue’s average service hours
  - 138/month in measurement period 1
  - 129/month in measurement period 2
New employees

- 12 month measurement period
- Administrative period less than 2 months
- Stability period begins first of month following 13 months employment

New hire example

- Dave’s average service hours
  - 132 during initial measurement period
  - 128 during standard measurement period

Another new hire example

- Linda’s average service hours
  - 128 during initial measurement period
  - 132 during standard measurement period
Best practices

Stability period is insurance plan year. Use calendar year if no employer sponsored insurance.

Best practices

Administrative period overlaps open enrollment

Best practices

Measurement period same length as stability period. Initial measurement period starts first of month.
Best practice example

Standard period for ongoing employees

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Insurance Plan Year
Stability Period

Best practice example

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Measurement Period
Admin

Look-back periods

Standard period for ongoing employees

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Average service hours in measurement period
Set status for stability period

HFTP
New & seasonal look-back periods

Hires in May have initial measurement period beginning June 1

Hires in June have initial measurement period beginning July 1

Clear up common misconceptions

- Reporting for 2016
- Shorter measurement periods
- Seasonal definition
- Payroll vs. time records

Reporting for 2015

- Mandate applies only to organizations 100+ in 2015
- All organizations 50+ report to IRS for 2015
- Only organizations 100+ subject to penalties for 2015
IRS Reporting: Section 6056

- Forms 1094-C and 1095-C
- Submitted to IRS for preceding calendar year
  - February 28th for paper filing
  - March 31st for electronic filing
- Notice to employees
Shorter measurement periods

- 3 month measurement period; 12 month stability period
- Only allowed for full-time
- Different stability periods/measurement cycle for part time

Seasonal definition

- Anyone working less than 6 months
- Work that is seasonal by nature
- Same time of year each year
- Season typically lasts 6 months or less

Payroll vs. time records

- I only need payroll
- Applicable Large Employer – calendar year
- IRS audits will likely look at time records
- Payroll can’t manage part timers
Avoid pitfalls

- Rehire v. new hire
- Seasonal management
- Variable-hour management

Administering rehires

- Treated as new employee
  - No service hours for 13 weeks
  - “Rule of Parity”
    - Minimum 4 weeks
    - Period without service longer than period employed

Managing seasonal workers

- Seasonal as part time
  - Part time under 1560 hours
- Seasonal as new hire
  - Initial measurement period each year
  - Not full time
Managing variable hour employees

- Guidance v. limits
  - Meet variable labor demands
  - Eliminate unnecessary hires

Limits

![Graph showing limits over months (Sep-Oct-Nov-Dec-Jan-Feb-Mar-Apr-May-Jun-Jul-Aug)](chart)

![Graph showing trend in variable hours (Sep-Oct-Nov-Dec)](chart)
Management Practices

- Use automation – timekeeping system
  - ACA status tracking
  - Average hour guidance
  - Alerts & notifications
  - Scheduling
  - Reporting

Conclusion

- Understand ACA employer mandate
- Apply measurement period best practices
- Avoid common misconceptions
- Avoid pitfalls in managing variable-hour and seasonal workers