Health Care Reform: Employer Shared Responsibility Requirements and the Impacts on the District and Trust

May 14, 2014, Trust Meeting

On February 10, 2014, the federal government issued the final regulations implementing the statute for employer shared responsibility under health reform. While it is true that technically the Everett School District ("District") is the "employer" subject to the regulations, there are potential impacts on the Everett School Employee Benefit Trust ("Trust").

The General Rules

Starting January 1, 2015, any employer employing ≥50 full-time employees must offer health coverage to full-time employees by the first day of the month after three full calendar months of employment or pay a penalty. Employees in part-time positions and volunteers need not be offered coverage.

An employer may be subject to a penalty tax for (1) failing to offer minimum essential health care coverage to substantially all full-time of its full-time employees (and their dependent children) (the "No Coverage Penalty), or (2) offers employer-sponsored coverage that is not "affordable" (exceeds a specified percentage of the employee's household income) or does not offer "minimum value" (the plan's share of the total allowed cost of benefits is not at least 60%) (the "Insufficient Coverage Penalty").

The No Coverage Penalty is equal to a yearly maximum of $2,120 multiplied by the number of full-time employees minus 30 (80 for 2015), while the Insufficient Coverage Penalty is equal to a yearly maximum of $3,180 for each full-time employee receiving the federal subsidy. These penalty amounts are calculated monthly.

With respect to the Insufficient Coverage Penalty, we understand that the District, through the Trust, provides health benefits to those employees employed .333 FTE and above, and the coverage meets the minimum value and affordability requirements. With respect to those employees .333 FTE and above, it is highly unlikely the District would be subject to an Insufficient Coverage Penalty.

Determining Full-time Employees

The No Coverage Penalty and the Insufficient Coverage Penalty hinge on whether an employer offers coverage to full-time employees. An employee is considered to be full-time if the employee works at least 30 hours per week in any month, and 130 hours of service per month is equivalent to 30 hours of service per week.

The regulations clarify how employers can use a monthly measurement period to determine whether an employee is full-time in "real-time," and the usage of a look-back period for certain groups of employees. The regulations confirm that variable hour employees are those whose full-time status is uncertain upon hire, defines "seasonal employees" as an employee who is hired into a position for six months or less around the same time each year, and defines "part-time employee" as a new employee reasonably expected to work <30 hours per week on average during the initial measurement period. If any of these non-full-time employees average 30 or more hours per week during an initial measurement period, the employer must provide health insurance coverage to these employees during what's called a subsequent "stability period" of at least six months.

Lastly, rehired employees are treated as new employees for purposes of the measurement periods if the rehired employee leave had a break in service ≥26 weeks.