

# KNOW YOUR BENEFITS.

From Clarke and Company



## Why Your Eligibility for Employer Health Coverage Can Change

The Affordable Care Act (ACA) requires that applicable large employers offer health insurance coverage to full-time employees and dependents. Penalties are imposed on employers that do not offer required coverage and on employers that offer coverage that is considered unaffordable or does not provide minimum value. The employer penalty rule is also called the employer shared responsibility or pay or play rules.

Generally, applicable large employers with 100 or more full-time employees were required to comply with the pay or play rules starting in 2015. Applicable large employers that have 50 to 99 full-time employees generally were required to comply by 2016.

### **What does this mean for you?**

If you work full time, your employer must offer you and your dependents qualified health coverage, or your employer will have to pay a penalty fee. If you are a variable-hour employee, the number of hours you work may flex between full-time and part-time employment. This means that, depending on your actual hours of service, Clarke and Company may offer you coverage for certain periods of time during your employment, but not at other times.

The IRS published final regulations that explain how your employment status is determined. Below is an overview of the rules that impact how your employer decides if you are a full-time employee and when you are eligible for employer-sponsored health insurance.

**Under the ACA, many employers must offer health insurance coverage to their full-time employees and their dependents.**

### **What is considered full time?**

A full-time employee is an individual who was employed an average of at least 30 hours of service per week, or 130 hours in a calendar month.

### **What are hours of service?**

Hours of service, which count toward the full-time designation, include hours that you worked as well as hours for which you were entitled to pay, such as vacation, leave of absence, jury duty or disability.

For hourly employees, your employer must calculate your hours of service from records of hours worked **and** hours for which payment is made or due (i.e., for vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence). For salaried employees, your employer may use your actual hours worked or may calculate your hours of service based on a days- or weeks-worked equivalency.



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### **How are hours calculated?**

Employers may use either the monthly measurement period or the look-back measurement period method for calculating full-time employee status. Full-time status for employees in certain specified categories must be determined using the same method.

#### *Monthly Measurement Method*

With the monthly measurement period, you are identified as a full-time employee or not based on your hours of service for each calendar month. This means that if you work a variable-hour schedule, you could switch between a full-time and part-time employee designation as frequently as every month, and therefore may be offered coverage on a month-to-month basis.

#### *Look-back Measurement Method*

The IRS also provides the look-back measurement method for calculating full-time employee status. This method allows for a more stable enrollment process because employers measure employees' hours of service during a Standard Measurement Period (SMP), which determines whether the employee will be offered coverage during the following stability period.

The SMP lasts between three to 12 consecutive months and is determined by your employer. If you had an average

of at least 30 hours of service per week during the SMP, you are considered full-time for the following stability period. The stability period is generally as long as, or longer than, the SMP. Many organizations also have an administration period between these two periods during which they make these eligibility determinations and offer coverage to qualifying employees.

If you are a new employee, an Initial Measurement Period will apply to assess your full-time employment status and may run concurrently with the SMP.

### **When can my eligibility change?**

Once you are determined to be a full-time employee during an SMP and thus eligible for coverage, you cannot lose your eligibility during the following stability period except in very limited circumstances.

However, if you average fewer than 30 hours of service per week during the next SMP, you might not be considered a full-time employee for the next stability period, in which case you will not be eligible for employer coverage.

Your eligibility for coverage cannot change during a stability period, but each SMP will determine if you are considered full-time for the following stability period. This is why your coverage eligibility may change over time.

Keep in mind that whether you are offered coverage by your employer may also depend on other factors, such as the need to meet substantive eligibility conditions aside from full-time status, the employer's decision to offer coverage only to certain groups of employees or being in a waiting period.



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