

PUBLICATION

Key Affordable Care Act Deadline for Employers Extended by One Year

July 03, 2013

Yesterday, the Obama administration announced that it will allow employers until 2015 before they must either provide health care coverage to employees or pay penalties under the Affordable Care Act (ACA).

In announcing the extension, the U.S. Department of Treasury cited the complexity of reporting requirements by insurers and employers. Any delay in providing such guidance necessarily affected the administration's ability to impose penalties on noncompliant employers.

The "shared responsibility rules" under the ACA may impose one of two penalties on employers with 50 or more full-time equivalent employees (FTEs). The penalties may apply if an employer does not make available to these FTEs health coverage that is deemed "affordable" and of "minimum value." In general terms, the first penalty may apply if an employer does not offer enrollment in a health plan to its FTEs; then, the employer can be subject to a penalty tax of \$2000 for each of its FTEs (excluding the first 30). If the employer does offer coverage to its FTEs, but that coverage is not affordable or of minimum value for an FTE and that FTE enrolls in subsidized health coverage on an exchange, then the employer can be subject to a penalty tax of \$3000 for that FTE.

Tracking hours to determine whether an employee is an FTE can be complicated and necessitate changes to payroll systems and record keeping software. The delay in enforcement of these rules will give employers additional time to assure their records are accurate and that FTEs are being properly tracked.

Within the next week, the Treasury Department is expected to publish formal guidance describing the extended transition period. Once those rules are issued, the Obama administration is expected to undertake "real-world testing" of the reporting systems next year in advance of full implementation in 2015.

For additional information on this late-breaking development, please contact any of our more than 70 Labor & Employment attorneys.