

It's Go Time....The Employer Mandate is Here

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After controversy, debate, and delays, the Employer Mandate has arrived. This provision of the Affordable Care Act (also known as the “Play or Pay” provision) requires all employers with 50 or more full-time equivalent employees to offer a certain level of health insurance coverage at an affordable rate to all full-time employees or face a possible penalty.

Large employers (those with 100 or more full-time equivalent employees) that do not comply with the Employer Mandate may begin incurring penalties in each month of the 2015 tax year. Midsized employers (those with 50-99 full-time equivalent employees) enjoy an additional year of reprieve (to 2016) as long as the organization did not reduce its workers’ hours/workforce to get below the 99 employee threshold without a bona fide reason or materially reduce its health care plan as it existed on February 9, 2014. Employer Mandate penalties are incurred on a monthly basis, but paid annually.

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It's important to note that the IRS will only apply Employer Mandate penalties to an organization if the employer is subject to the Employer Mandate, fails to comply with the Mandate, and has at least one full-time employee shop in the Marketplace and receive a federal premium subsidy. Employers have no control regarding whether a full-time employee opts to shop in the Marketplace, so the only fool-proof way to avoid penalties is to follow these three steps:

1. Offer a health insurance plan that meets the minimal essential coverage requirements;
2. Offer at least one such plan at an “affordable rate”; and
3. Offer at least one such plan to all full-time employees regularly working 30 or more hours per week and their dependent children.

If you follow these three steps, your organization will be immunized from any type of Employer Mandate Penalties, regardless of which employees opt to shop in the Marketplace or what types of premium subsidies they receive.

With the implementation of the Employer Mandate comes new IRS reporting requirements. Employers with 50 or more full-time equivalent employees must begin Section 6056 (Employer Mandate) reporting for the 2015 tax year. These forms will be filed with the IRS and provided to employees in early 2016. Although the actual reporting will not be performed until early 2016, some of the data included in the reporting must be classified by month. So now is the time to begin tracking this data.

Employers subject to the reporting requirements must complete and submit one Transmittal Form (IRS Form 1094-C) for the organization and one Employee Statement (IRS Form 1095-C) for each employee. Employers that sponsor a self-funded health plan have additional reporting requirements. The IRS draft forms are available in your HR Support Center.

Anxiety is understandably high in regard to both the Employer Mandate and the new IRS reporting requirements associated with the Mandate. The penalties have the potential to be substantial for some employers, and the regulations are somewhat tedious and technical. Some anxiety can be mitigated by reviewing the “Navigating the Employer Mandate” guide in your HR Support Center. It provides detailed common-sense instructions on how to comply with the Employer Mandate, including sample penalty calculations, IRS reporting requirements and much more. Your Human Resources Professional and Tax Professional can also be great resources for you.