CAPS

Affordable Care Act (ACA) Glossary

Commonly Used Acronyms:
ACA – Affordable Care Act (short for PPACA or Patient Protection and Affordable Care Act)
ALE – Applicable Large Employer
FTE – Full-Time Equivalent
MEC – Minimum Essential Coverage
BIS – Break in Service

1094 Forms - acts as a 'cover sheet' for the 1095 forms by providing information about the employer, as well as noting how many individuals are employed by the employer and how many 1095 forms are being filed; to be received by the IRS only. These are due to the IRS on February 29, 2016 or by March 31, 2016 if filing electronically. For 2015 tax year the filing deadlines have been extended to May 31, 2016 or June 30, 2016 if filing electronically.

- **1094-B** –filed by insurance carriers and small, self-insured employers**.**
- **1094-C** – filed by large employers subject to the Employer Shared Responsibility Provisions.

1095 Forms - an individualized document completed for each full-time employee that provides information about the health coverage offered, the lowest cost premium available to the employee, and the months when coverage was available to that individual. 1095 Forms are filed with the IRS and furnished to the employee. These are due to the employee by January 31, 2016. For 2015 tax year the mailing deadline has been extended to March 31, 2016. These are due to the IRS by February 29, 2016 or by March 31, 2016 if filing electronically. For 2015 tax year the filing deadlines have been extended to May 31, 2016 or June 30, 2016 if filing electronically.

- **1095-A** – furnished to employees who purchased a health care plan through a marketplace. Filed by the government.
- **1095-B** – completed by insurance carriers and small, self-insured employers. Furnished to their recipients of health care coverage.
- **1095-C** – completed by large employers and furnished to their recipients of health care coverage.

4980H(a) Penalty – the "A" penalty; considered the 'larger' penalty for employers. An employer who does not offer a qualifying health care plan to substantially all (at least 95% or 70% for 2015) of its full-time employees and their dependents may be subject to this penalty.
Assessed monthly at a rate of 1/12th of $2000 for EVERY eligible full-time employee (minus the first 30 employees; 80 employees in 2015) if one of those eligible employees purchases a federally subsidized plan through the Insurance Exchange due to not receiving a qualifying health care plan offer.

4980H(b) Penalty - the "B" penalty; considered the "lesser" penalty for employers. If an employer does offer MEC to substantially all (at least 95% or 70% in 2015) of its full-time employees and their dependents, but the coverage is not "affordable" or does not provide "minimum value," the employer may be subject to a monthly penalty equal to $250 for only any full-time employee who buys health insurance in a Marketplace and qualifies for a subsidy. The annual penalty is the sum of the 12 months of penalties. This penalty cannot exceed the amount that would apply under 4980H(a).

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Administrative Period - the time period where an employer can process administrative paperwork and enroll employees in their health care plan. However, when the administrative period is combined with the measurement period, it may not extend beyond 13 months (plus any remaining days until the first day of the next calendar month) after the employee's date of hire. For example, if an employee was hired on March 10, 2015, and the measurement period was 12 months, the administrative period cannot extend past May 1, 2015.

Affordability - coverage is considered affordable if no full-time employee is required to pay more than 9.5% of his/her household income for self-only coverage under the employer's lowest-cost health care coverage option.

Affordability Safe Harbors - in order to ensure that a plan is affordable, the IRS has provided employers with three safe harbors that they can utilize. They are W-2 wages, rate of pay, and federal poverty level. An employer may choose one or more of these safe harbors for calculating the affordability of its offered coverage for all of its employees or any reasonable category of employees, provided it does so in a reasonable and consistent basis for all employees in a category.

Applicable Large Employer (ALE) - an employer that employs 50 or more full-time and FTE employees during the prior calendar year. In 2015, the Employer Shared Responsibility provision only applied to ALE's with 100+ full-time and FTE employees. In 2016 and onward, the Employer Shared Responsibility provision will apply to all ALE's. When determining ALE status, an employer must include employee hours under all related entities, such as a parent company or a brother-sister entity.

Break in Service (BIS) - used to determine if an employee, upon his/her return from a service break, should be treated as a new employee or a continuing employee for the sake of calculating eligibility. Employees returning from a break in service of 13 weeks or more, may be treated as newly hired, and thus their previous service hours are lost.

Employer Mandate - see Employer Shared Responsibility Provisions

Employer Shared Responsibility Provisions - effective January 1st, 2015, ALE's will be subject to 4980H(a) and (b) penalties if they do not offer a qualifying health care plan (MEC) to their full-time employees and dependents. For purposes of the Employer Shared Responsibility provisions, an ALE is considered in 2015 to be an employer with 100+ full-time and FTE employees and in 2016 to be an employer with 50+ full-time and FTE employees.

Exchange - see Health Insurance Marketplace/Exchange.

Full-Time Employee - under the ACA, an employee who averages at least 30 hours of service per week, or has 130 hours or more of service during the month.

Full-Time Equivalent (FTE) Employee - To calculate your FTE's, sum up the hours of service for all part-time employees per month, not to exceed 120 hours per employee, then divide the total number of hours by 120 and round down. An employer must include their full-time equivalent employees in their employee count when determining their ALE status

For example, if your 8 part-time employees worked a total of 160 hours during the month of January, you would divide 160 by 120 and you would have 1 FTE in addition to your regular full-time employees. (160/120=1.33 which is rounded down to 1).

Fully-insured Health Care Plan - a fully-insured plan that is purchased through an insurance carrier by an employer. The employer pays a fixed monthly premium to the insurance company, regardless of the plan's claim costs. It is the insurance company that assumes the financial and legal risk of loss if claims exceed projections.

Health Insurance Marketplace/Exchange - a marketplace where uninsured individuals can purchase health insurance.

- Click here for the CAPS Insurance Exchange.
- Click here for the federal marketplace.

Hours of Service - any hour an employee is paid or is entitled to payment (e.g. holiday, illness, vacation, layoff, jury duty, and paid leave of absence).

Initial Measurement Period - also known as a "look-back" period; a designated period, 3-12 months, used to determine whether a variable hour or seasonal employee is full-time by averaging at least 30 hours per week during the look-back period and thus, is eligible for health care coverage. The initial measurement period begins on each employee's first date of employment. If an employee is determined to be full-time under the Initial Measurement Period, the stability period then applies and the employee would be measured under the company's Standard Measurement Period moving forward.

Marketplace - see Health Insurance Marketplace.

Measurement Period - see Initial Measurement Period and Standard Measurement Period.

Minimum Essential Coverage (MEC) - the type of coverage that is required under the ACA. In order for an employer to comply they must maintain MEC throughout the year, get an exemption, or pay a penalty (assessed monthly, see 4980H(a) penalty

Minimum Value - coverage meets minimum value requirements if the plan pays at least 60% of the actuarial value of covered benefits.

Qualifying Health Care Plan - see MEC, Affordability, and Minimum Value.

"Pay or Play" - refers to an ALE's choice to offer a qualifying health care plan or to not offer a plan and pay any corresponding penalties (see 4980H(a) and 4980H(b) penalties).

Premium Tax Credit - Eligible individuals and families can receive a premium tax credit to assist them in purchasing affordable health insurance from the marketplace. An individual or family may be eligible due to income level or if their employer did not offer a qualifying health care plan.

Rule of Parity - a rehired employee may be treated as a newly hired employee if his/her break in service was at least four weeks and was longer than the period of service immediately prior to the break in service.

Safe Harbors - see Affordability Safe Harbors.

Seasonal Employee - an employee who works for 120 days or less on a seasonal basis (i.e. holiday seasons). Employers do not need to take seasonal employees into account when determining their ALE status if counting the seasonal employees is what makes them an Applicable Large Employer.

Section 6055 Reporting - required reporting under the ACA for health insurance providers. The reporting requirement is satisfied by filing forms 1094-B and 1095-B which detail coverage information for every employee who received minimum essential coverage.

Section 6056 Reporting - required reporting under the ACA for applicable large employers (ALE's). ALE's must file forms 1094-C and 1095-C with the IRS specifying the health insurance coverage the employer offered.

Self-insured Health Care Plan - a health care plan that is operated directly by the employer rather than through an insurance carrier, saving the employer the cost of the health care premiums that the insurance carrier charges for purchase of a fully-insured plan. A self-insured employer assumes the financial and legal risk of loss for claims.

Stability Period - the period of time during which an employee must remain covered under the employer's health plan, regardless of whether they continue to work full-time hours. The stability period must be a minimum of 6 months and may not be less than the measurement period.

Standard Measurement Period - also known as a "look-back" period; a designated period, 3-12 months, used to determine whether an ongoing (rather than newly hired) variable hour employee is full-time by averaging at least 30 hours per week during the look-back period and thus, is eligible for health care coverage. The standard measurement period is ongoing (i.e. October 1 to September 30 of every year). If an employee is determined to be full-time under the Standard Measurement Period, the stability period then applies.

Variable Hour Employee - an employee is deemed variable hour if it cannot be determined at the employee's start date that he/she will work an average at least 30 hours per week. An Initial Measurement Period method would be used to determine a variable hour employee's full-time status.

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**The information provided here is for informational purposes only and your company's specific responsibilities may vary. Please consult with your attorneys and tax advisors to better understand your obligations under the ACA.*