



Benefits & Retirement

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Disclaimer:

The contents of this presentation should not be construed as legal or tax advice on any specific facts or circumstances. The material provided is intended for general informational purposes only. Please contact your attorney or financial advisor with respect to a particular issue or concern.



Consolidated Omnibus Budget Reconciliation Act (COBRA)

Loss of coverage under the plan:

- Employee death (36 months)
- Employee termination or reduction in hours (18 months)
- Employee becoming entitled to Medicare (36 months)
- Employee divorce or legal separation (36 months)
- A child's loss of dependent status (36 months)

Notices:

- General – within 90 days of coverage
- Qualifying Event – within 30 days
- Election – with 14 days of event notice

Election - 60 days from event or Election Notice to enroll, whichever is later

102% of premium max

- Initial premium due within 45 days of election
- 30-day grace period for each monthly payment thereafter



Paid Medical Leave Act (Michigan PMLA)

Effective March 29, 2019

- 1 hour for every 35 hours actually worked but no more than 40 in a 12 consecutive month period (same as benefit eligibility)
- Carryover permitted but counts towards the 40 max
- Can front load (no carryover) or prorate upon eligibility (no more than 90th calendar day)
- Must be used in 1-hour increments
- PTO may be required prior to PMLA
- \$1,000 fine

Pay is employee's regular rate of pay or, if greater, minimum wage

50 or more employees (belly buttons) excluding less than 25 hours/week in preceding year and exempt employees

Posting requirement <https://www.michigan.gov/leo/bureaus-agencies/ber/Wage-and-Hour>

- \$100 for each separate willful violation



Publicly Funded Health Insurance Contraction Act (Michigan PA152)



Maximum public employer aggregate spend on medical benefits per coverage year

Hard Cap: enrolled employees only, calculated at the end of the coverage year

2024

- Single \$7,702.85
- Two-person \$16,109.06
- Family \$21,007.83

2025

- Single \$7,718.26
- Two-person \$16,141.06
- Family \$21,049.85

80/20: employer pays 80%, employees pay 20%

- All employees
- Specific inclusions and exclusions
- Seek legal counsel/tax advice

Penalty – 10% reduction in EVIP (self-reported)

What is the

Patient Protection & Affordable Care Act (ACA)



- Passed by the 111th US congress and signed into law by President Obama on March 23, 2010
- The purpose of the ACA was to reduce the number of uninsured Americans by encourage employers to offer coverage to their employees by assessing fines to employers who don't offer coverage under certain circumstances
- **Tracking and Reporting: Applicable Large Employers (ALE's) are required to offer affordable health coverage to substantially all of their full-time employees or be subject to a penalty**



What's an ALE?

- ALE Status is determined using a specific calculation defined by the IRS that takes an average of the total full-time employees and full-time equivalent (FTE) employees in each month.
- For the purposes of ALE calculation:
 - A full-time employee is any employee who worked 130 hours in a given month or 30 hours per week
 - To calculate full time equivalent count, take the sum of all hours of non-full-time employees, but don't include more than 120 hours per employee, and divide by 120
- The FTE count from the preceding calendar year is used to determine ALE status for the current tax year



Who is a Full-Time Employee?

Employee Status

The ACA requires employers to designate all employees as one of the four types upon hire and track employee hours to determine ongoing eligibility:

Full-Time

Employee is expected to work more than 30 hours per week on an ongoing basis – must be offered coverage by 1st day of 4th calendar month following hire

(Teachers, administrators)

Part-Time

Employee is expected to work less than 30 hours per week on an ongoing basis

(Food service, paraprofessional)

Seasonal

Employee is customarily expected to work for 6 months or less

(Coaches)

Variable

Cannot be determined whether employee will work more than 30 hours

(Food service, paraprofessional)

Eligibility & Measurements

Measurement Methods for Identifying Full-Time Employees

The **monthly measurement method** determines full-time status for each calendar month based on the employee's hours of service in that month

- Advantage: simplified calculations; straight forward administration
- Disadvantage: does not allow for forward-looking eligibility determinations which could lead to unexpected penalties if part-time employees aren't offered plans according to minimum coverage requirements



Eligibility & Measurements

Measurement Methods for Identifying Full-Time Employees

The **lookback measurement method** Gives an employer advance notice before eligibility begins and allows for more consistency by letting an employer define up to a 12-month cycle where eligibility status does not change

- **Measurement period** (MP): 6-12 month past period during which an employee's working hours are tracked and measured
- **Administrative period** (AP): 6-90 day period to complete calculations and offer coverage
- **Stability period** (SP)*: up to 12 month period during which employee's eligibility does not change
- **Initial measurement period**: an employee's first lookback measurement, initiated after hire
- **Standard measurement period**: a defined schedule by which ongoing employees are measured, usually aligned with open enrollment

**Length must match the length of the measurement period*

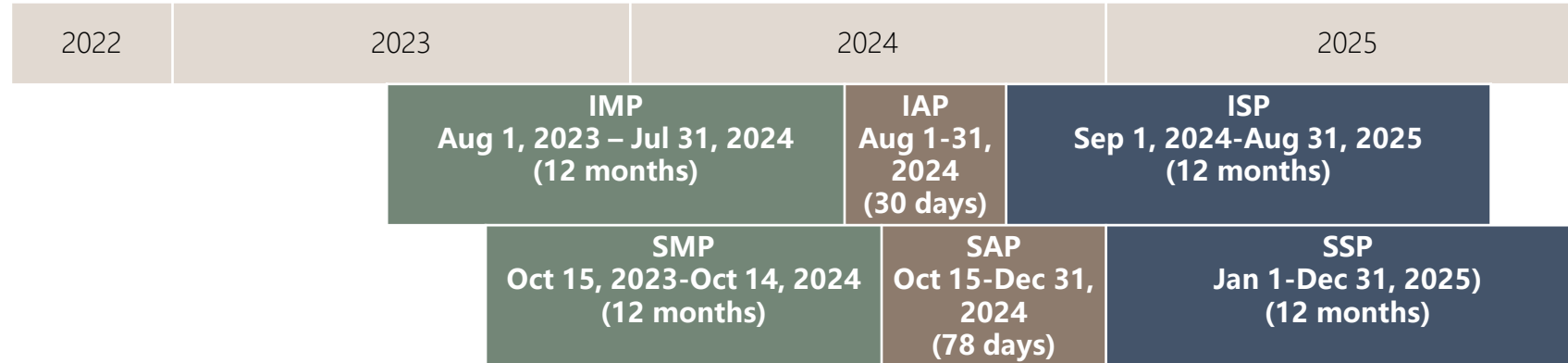


Eligibility & Measurements



Example of IMP, IAP, ISP transition to SMP

New hired employee who started on 7/28/23 (PT, V, S)



Example of Ongoing, SMP, SAP, and SSP

Ongoing employee





What Counts as an Hour?

Keep record of employees' hours of service



Account for:

- All employees' payroll hours
- Hourly employees – time sheets for hourly employees
- Salary employees – ORS hour equivalency rates
- Bona-fide volunteers – hours that an employee is available to the employer
- Student workers, unless a federal work-study student
- Board members

Time to Include:

- Vacation
- Holiday
- Personal time
- Hours worked



Special Counting Rules for the Education Industry



Measurement Period hours Calculations Rules



Rehire Rule

- Rehired employees maintain their eligibility and measurement status from their previous employment if their period of absence was less than 26 weeks long

Educational Breaks

- Employers that are educational institutions cannot penalize employees for not working during an educational break period
 - Modifications must be made to measurements to account for summer breaks

Qualified Leave of Absences

- Cannot penalize employees for time away from work due to:
 - FMLA
 - Military leave
 - Jury duty

What to Offer?

Minimum Requirements of Medical Coverage

Minimum Essential Coverage

Standard MEC provides for some wellness, preventive services, prescription discounts, and telehealth services.

- Does not cover all essential health benefits
- Not a typical major medical plan
- Does not meet the definition of qualified health coverage





How are penalties assessed?

Two-Tiered System of Employer Responsibility

- Any employee considered full-time who enrolls in marketplace coverage and receives the premium tax credit (PTC) will trigger a penalty assessment
- The assessment will award a fine based on the employer's compliance with two requirements:
 - Offering minimum essential coverage (MEC) to at least 95% or all but 5 on an employer's full-time population – **4980H(A)**
 - Offering coverage to all full-time employees that meets both the minimum value and affordability standards – **4980H(B)**
- An employer can only ever receive one of the two fines in a given tax year
- Fines are assessed in each month of non-compliance





What is “substantially all full-time employees?”

4980H(A) Penalty

- 95% or all but 5 full-time employees must be offered MEC in each month
- \$2,970* per employee-per year with 30 employee exemption
- The most severe \$2,970 annual assessment on every employee is based on whether employees were offered minimum essential coverage (MEC)

Example: Employer with 100 total full-time employees only offers coverage to 94 of them. One of the 6 employees not offered coverage received a marketplace subsidy.

Penalty: $(100-30) * \$247.5 \text{ per month} * 12 \text{ months} = \$207,900$

**indexed*

FT Employee Count	Penalty (annual)
50	\$ 59,400.00
100	\$ 207,900.00
250	\$ 653,400.00
500	\$ 1,395,900.00
1000	\$ 2,880,900.00
2000	\$ 5,850,900.00

What is “affordable, minimum value coverage?”



4980H(B) Penalty

- The \$4,460* assessment per subsidy-qualifying employee is based on whether the offer of coverage meets three criteria:
 - It must be “affordable” meaning that it can't cost the employee more than 8.39%* (2024) of their household income
 - It must meet or exceed “minimum value” meaning that it must pay for at least 60% of an average person’s average annual medical expenses

Example: Employer has 6 full-time employees not offered affordable coverage. Two of the six get a marketplace subsidy, one for the entire year, the other for six months.

Penalty: 18 total months * \$372 per month = \$6,696

**indexed*





How to Measure Affordability?

4980H(B) Penalty – Safe Harbor Rules

There are 3 methods available to show a plan is affordable by comparing the minimum required employee contribution against a calculated assumed household income:

- Federal Poverty Level
 - Household Income = Federal Poverty Line
- Rate of Pay
 - Lowest hourly rate of pay * 130
- W2 Box 1 earnings
 - W2 Box 1 Earnings (gross pay – pre-tax deductions)
- 2024 Affordability Percentage: 8.39%



ESRP

Penalty Chart



Tax Filing Year	2023	2024
4980H(a) penalty		
• Annual Amount (per employee)	\$2,880	\$2,970
• Monthly Amount (per employee)	\$240	\$247.50
• Required Med offer % of full-time	95%	95%
• Full-time Exemption	30	30
4980H(b) penalty		
• Annual Amount (per employee)	\$4,320	\$4,460
• Monthly Amount (per employee)	\$360	\$371.67
• Affordability Safe Harbor %	9.12%	8.39%
• Applicable 100% FPL (prior year)	\$13590	\$14580
• FPL Affordability Annual Amount	\$1,239.40	\$1,223.26
• FPL Affordability Monthly Amount	\$103.28	\$101.94

Compliance Strategy

Assessment Strategy

- Most employers who offer an employee health plan will work to ensure they avoid the \$2,970 on every employee
 - Structure labor contracts to allow for flexibility to offer MEC to all full-time employees (even if unaffordable or if below minimum value) to avoid A-penalty risk
- Some employers may be comfortable with the \$4,460 assessment potentially applying to the marketplace-subsidized employees
 - Often more cost effective than offering coverage
 - Can be more favorable to employees as they remain eligible for federal subsidies



Reporting Requirements



IRS Form Mailing & Filing Dates



ACA Sections 6055 & 6056 outline 2 forms ALE's use to report ACA Compliance data to employee's & the IRS

- Mail 1095-C forms to your employees by 3/2 (leap year 3/1)
- Electronical file 1094-C and 1095-C forms with the IRS by 3/31



Effective this year, the IRS requires all ALEs to file their 1095-C forms electronically (e-file)

Form **1094-C**

Department of the Treasury
Internal Revenue Service

Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns

Go to www.irs.gov/Form1094C for instructions and the latest information.

CORRECTED

OMB No. 1545-2251

2023



Part I Applicable Large Employer Member (ALE Member)

1 Name of ALE Member (Employer)		2 Employer identification number (EIN)
3 Street address (including room or suite no.)		
4 City or town	5 State or province	6 Country and ZIP or foreign postal code
7 Name of person to contact		8 Contact telephone number
9 Name of Designated Government Entity (only if applicable)		10 Employer identification number (EIN)
11 Street address (including room or suite no.)		
12 City or town	13 State or province	14 Country and ZIP or foreign postal code
15 Name of person to contact		16 Contact telephone number

For Official Use Only



17 Reserved

18 Total number of Forms 1095-C submitted with this transmittal

19 Is this the authoritative transmittal for this ALE Member? If "Yes," check the box and continue. If "No," see instructions

Part II ALE Member Information

20 Total number of Forms 1095-C filed by and/or on behalf of ALE Member

21 Is ALE Member a member of an Aggregated ALE Group? Yes No

If "No," do not complete Part IV.

22 Certifications of Eligibility (select all that apply):

- A. Qualifying Offer Method
- B. Reserved
- C. Reserved
- D. 98% Offer Method

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature

Title

Date



Part III ALE Member Information – Monthly

	(a) Minimum Essential Coverage Offer Indicator		(b) Section 4980H Full-Time Employee Count for ALE Member	(c) Total Employee Count for ALE Member	(d) Aggregated Group Indicator	(e) Reserved
	Yes	No				
23 All 12 Months	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
24 Jan	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
25 Feb	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
26 Mar	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
27 Apr	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
28 May	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
29 June	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
30 July	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
31 Aug	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
32 Sept	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
33 Oct	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
34 Nov	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
35 Dec	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	

Enforcement Action

Notifications



- 5699 Letter – Failure to file
- 226J Letter – ESRP assessment
 - Good Faith no longer applies
- 1865C Letter – IRS Forms Correction
- 3-year enforcement Cycle → 4 Year data retention

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Thank You!

