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In our February 2014 Spotlight we provided a brief overview of the final regulations and safe harbor provisions for the variable hour workforce. In this edition, we'll review each phase and how to go about the calculation for employers with 100 or more employees.

Waiting Period

The waiting period is the maximum amount of time that an employer can wait to offer health insurance coverage to new employees who are known to be full-time / benefit eligible. Affordable Care Act (ACA) employers can wait no longer than 90 calendar days to offer affordable health benefits to new full-time employees.

Measurement Periods

Measurement periods are categorized two ways: initial (for new employees) and standard measurement (for existing employees).

The initial measurement period allows employers to start tracking new employee hours and determine a status. The tracking must start no later than the first day of the month following the employee's hire date, and can last between 3 and 12 months. Once the initial measurement period is completed, the results will then apply for a defined stability period.

The standard measurement period is for existing employees to determine whether their status has changed. The length of the standard measurement period may range between 3 and 12 months as well. The measurement period must be the same for all individuals in a particular classification of employee. The rules only allow four types of classifications of employee; they are:

1. Collective bargaining vs. non-collective bargaining;
2. Salary vs. hourly;
3. Distinct business entities; and
4. Geographic distinction employee populations that reside in different states.

Stability Period

Once the measurement period is completed, the results will then apply for a defined period of time, known as the stability period. The stability period typically matches the measurement period. In some cases, the stability period may be longer than the measurement period, as the minimum is 6 months.

Administrative Period

In between the measurement and stability periods is the administrative period. This is the time to notify employees and process corresponding coverage changes. The initial measurement period and the administrative period combined may not extend beyond the last day of the first calendar month beginning on or after the one-year anniversary of the employee's start date.



Calculating Full-Time Status Based on Hours of Service

Once the initial measurement, administrative and stability periods have been decided upon, the actual calculations can begin to determine full-time status of new variable-hour employees.

Example: Initial Measurement Period

- A 6 month initial measurement period beginning on the date of hire
- A 2.5 month administrative period
- A 6 month stability period

ACME hired John on September 15, 2014, and was uncertain whether John would have at least 30 hours of service per week. During the administrative period beginning March 16, 2015, ACME reviewed John's hours of service from September 15, 2014, through March 15, 2015 (6 months) and determined that John worked the following hours each month:

Month 1: September 15, 2014 - October 14, 2014: 70 hours
Month 2: October 15, 2014 - November 14, 2014: 150 hours
Month 3: November 15, 2014- December 14, 2014: 180 hours
Month 4: December 15, 2014 - January 14, 2015: 145 hours
Month 5: January 15, 2015- February 14, 2015: 150 hours
Month 6: February 15, 2015 - March 14, 2015: 85 hours

When ACME HR added up the monthly hours for John and divided by 26 (number of weeks within the measurement period), they found he had averaged 30 hours per week.

$$80+150+180+135+140+95 = 780 \text{ total hours}$$

$$780 / 26 \text{ weeks} = 30 \text{ hours per week average}$$

John would be full time for purposes of health care eligibility because he averaged 30 hours per week during the initial measurement period. During the administrative period from March 16, 2015, through May 31, 2015, ACME would notify John and collect his enrollment election/waiver information. If John elected coverage, his coverage would begin June 1, 2015. The stability period is six months, so John is eligible for coverage from June 1 through December 31, 2015, regardless of any changes to his schedule during that time.

Example: Standard Measurement Period

- A 12 month initial measurement period (November 1, 2013 through October 31, 2014)
- A 2 month administrative period (November 1, 2014 – December 31, 2014).
- A 12 month stability period (January 1, 2015– December 31, 2015)

Mary has worked for ACME for several years with a variable hour schedule. ACME must now calculate whether Mary has been working 30 hours or more per week and eligible for health insurance.

Month 1: November 1, 2013 – November 30, 2013: 150 hours

Month 2: December 1, 2013 – December 31, 2013: 150 hours

Month 3: January 1, 2014 – January 30, 2014: 95 hours

Month 4: February 1, 2014 – February 28, 2014: 95 hours

Month 5: March 1, 2014 – March 31, 2014: 110 hours

Month 6: April 1, 2014 – April 30, 2014: 95 hours

Month 7: May 1, 2014 – May 31, 2014: 85 hours

Month 8: June 1, 2014 – June 30, 2014: 125 hours

Month 9: July 1, 2014 – July 31, 2014: 175 hours

Month 10: August 1, 2014 – August 31, 2014: 170 hours

Month 11: September 1, 2014 – September 30, 2014: 160 hours

Month 12: October 1, 2014 – October 31, 2014: 155 hours

It is determined that Mary has worked an average of 30 hours during the measurement period. 1565 total hours divided by 52 weeks = 30 hours per week.

If Mary elects health insurance coverage during the administrative period, her coverage will be effective on January 1, 2015 and remain effective until the end of 2015, regardless of her work schedule.

The administrative complexity with these calculations and the ongoing evaluation of work hours requires coordination with multiple stakeholders. It is imperative to begin this process as soon as possible to meet the 1/1/15 go live date.

For EBC clients, we will schedule meetings over the next few months to finalize decisions around this process, including what is needed from a data reporting/tracking and administrative process standpoint.

Please discuss with your dedicated EBC consulting team how we can support your compliance efforts.