

Legislative Brief

Health Care Reform: Employer and Individual Responsibility Requirements



Executive Summary

The Patient Protection and Affordable Care Act (PPACA) enacted in 2010 includes employer and individual responsibility requirements for health coverage. Certain employers will face penalties if one or more of their full-time employees obtain a premium credit through an exchange, regardless of whether that employer provides health insurance. The individual requirement requires individuals to obtain coverage for themselves and their family members. Both requirements are set to become effective **Jan. 1, 2014**.

This Wine Sergi & Company LLC Legislative Brief will provide an overview of the employer and individual responsibility requirements.

Large Employer Pay or Play Rules

Employer Penalty – For Employers Not Offering Coverage

Beginning in 2014, individuals who are not offered employer-sponsored coverage and who are not eligible for Medicaid or other programs may be eligible for premium credits for coverage through an exchange. Generally, these individuals will have income between 138 percent and 400 percent of the federal poverty level (FPL).

Large employers (those with at least 50 full-time equivalent employees) that do not offer coverage will be subject to a penalty *only if* any of their full-time employees receives a premium credit toward an exchange plan. In 2014, the monthly penalty assessed on employers that do not offer coverage will be equal to the number of full-time employees (minus 30), multiplied by 1/12 of \$2,000 for any applicable month.

Employer Penalty - For Employers Offering Coverage

Individuals who are offered employer-sponsored coverage can only obtain premium credits for exchange coverage if, in addition to the FPL limits above, they are also not enrolled in their employer's coverage, and their employer's coverage meets either of the following criteria: it is not "affordable" or does not provide "minimum value." Specifically, the plan will not be affordable or provide minimum value if the individual's required contribution toward the plan premium for self only coverage exceeds 9.5 percent of their household income OR the plan pays for less than 60 percent, on average, of covered health expenses.

Large employers that do offer coverage may still be subject to penalties *only if* at least one full-time employee obtains a premium credit in an exchange, as described above. In 2014, the monthly penalty assessed on an employer for each full-time employee who receives a premium credit will be 1/12 of \$3,000 for any applicable month. However the total penalty for an employer would be limited to the total number of the company's full-time employees (minus 30), multiplied by 1/12 of \$2,000 for any applicable month.

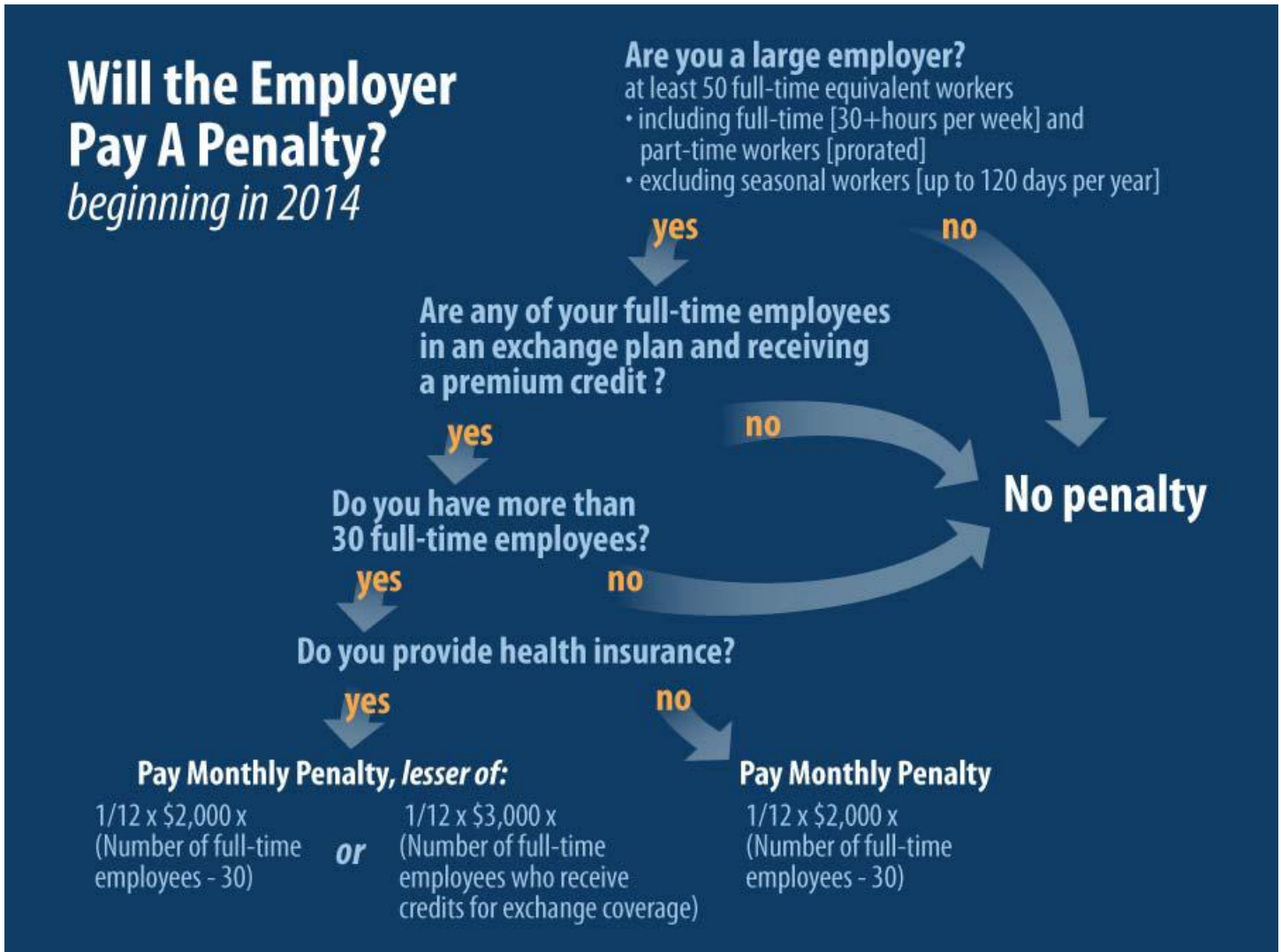
Individual Requirement and Penalties

Employees may satisfy the individual mandate by purchasing acceptable coverage through their workplace or an insurance exchange. If coverage is not purchased, the individual penalty will be imposed. This penalty is the greater of 1.0 percent of AGI or \$95 per person in 2014, 2.0 percent or \$325 per person in 2015, 2.5 percent or \$695 per person in 2016. The family penalty cap is 300 percent of the individual penalty, or \$2,100 by 2016. The penalty for dependent children without coverage is half the amounts listed above. Exemptions to mandatory coverage and penalties apply if the premium for an employee's employer-provided health coverage is more than 8 percent of the employee's modified household income, and to individuals exempt from filing an income tax return, members of Indian tribes, and those with short coverage gaps and hardships.

Legislative Brief

Health Care Reform: Employer and Individual Responsibility Requirements

Determining If an Employer Will Pay a Penalty



Source: Congressional Research Service

This Wine Sergi & Company LLC Legislative Brief is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel for legal advice.

Content © 2011 Zywave, Inc. Images © 2000 Getty Images, Inc. All rights reserved.

KMP 1/11