



# The Affordable Care Act (ACA): A Reference Guide for Hoteliers



# What is the Timeline for the Affordable Care Act?



2015

- “Large employers” with 100 or more FTEs penalized for lack of or inadequate coverage
- Individual mandate tax increases to \$325 or 2% of income threshold
- Open enrollment in individual exchanges ends on 2/15/15
- Employers with 200+ FTE must automatically enroll new employees into offered plans

2016

- Employer mandate coverage requirement is fully implemented for “mid-size” and “large” businesses
- Small business (SHOP) health insurance exchanges must open up to qualified businesses with up to 100 employees

2017

- Small business health insurance tax increases to \$13.9 billion
- SHOP marketplaces open to all businesses

# Is My Business Required to Participate?



## Employer Shared Responsibility

- “Large employer” = 100 or more “Full-Time Equivalent” employees (FTE)
  - **Penalties for failure to provide adequate coverage begin in 2015**
- “Mid-size employer” = 50 to 100 FTE
  - **Penalties for failure to provide adequate coverage begin in 2016**
- “Small employers” = fewer than 50 FTE and are exempt from penalties in the law

# Full Time Employees and Equivalents



- FTE = employee who works an average of at least 30 hours per week
- Seasonal employees are counted towards FTE (with exception)
- FTE Formula:

#of Full-Time Employees

+

$$\left[ \frac{\text{Sum of the hours worked by each part-time employee in one month (up to 120 hours/employee)}}{120} \right]$$

# What Will the ACA Cost Me as an Hotelier?



- Coverage must be “affordable” and provide a “minimum value”
- Affordability
  - Employee’s contribution to the premium cannot exceed 9.5% of W-2 income
- Minimum Value
  - Offered plan must pay at least 60% of the covered health benefits

## Can I keep my current plan?

Maybe – offered plans must meet standards for minimum value and affordability

# What are the Penalties for Not Complying with the ACA?

A stylized blue house icon with a gabled roof and several small square windows, positioned in the upper right corner of the slide.

## Strong Penalty

- Failure to offer opportunity to enroll in coverage; **AND**
- At least one full time employee enrolls in an exchange
- \$2,000 \* the total number of full time employees

## Weak Penalty

- Employer does offer opportunity for coverage, **BUT** the coverage fails to meet ACA's standards for affordability or minimum value; **AND**
- At least one full time employee enrolls in an exchange
- \$3,000 \* (only) the number of employees who enroll in an exchange

# The Individual Mandate



- ACA requires most individuals to carry health insurance which provides “minimum essential coverage”
- Minimum Essential Coverage includes:
  - Government sponsored programs (Medicare, Medicaid, etc.)
  - Employer sponsored plans
  - Marketplace approved plans
- Failing to do so may result in penalties:
  - 2015 - \$325 per uninsured person or 2% of taxable income
  - 2016 and beyond - \$695 per uninsured person or 2.5% of taxable income (above defined threshold)

# What is a Healthcare Exchange?



- An “exchange” is an online marketplace for the sale and purchase of health insurance
- Individuals and businesses have access to marketplaces
- Coverage offered will meet all applicable ACA specifications
- Plans offered will be certified as “qualified health plans” or QHPs



# Small Business Health Options Program (SHOP) Exchanges



- Special exchange designed for small businesses to compare insurance plans for employees
- 2015 – SHOP open to employers with up to 100 FTE
- Employers who use SHOP must provide coverage to **all** full-time employees
- Employees may enroll in a SHOP plan or purchase insurance on their own
- Some states have requirements for number of employees that must enroll in the SHOP plan

# If I Own Multiple Businesses, How are My Employees Counted?



- If an employer owns multiple businesses, each company may or may not be considered separate employers under the ACA
- Determining the total number of full-time employees requires an analysis of the “controlled group” rules established in the Internal Revenue Code (IRC)
- If a controlled group exists, then the total number of employees must be added together to determine “large employer” status under the ACA

## Types of Controlled Groups

- **Brother-Sister**
- **Parent-Subsidiary**
- **Combination**

# Brother-Sister Controlled Groups



- A group of two or more businesses in which 5 (or fewer) **common owners** own a “controlling interest” of the group and have “effective control” of the businesses
  - “Controlling Interest” – 80% or more of the stock of each corporation (but only if the common owner owns stock in each corporation)
  - “Effective Control” – More than 50% of the stock of each corporation counting the least of each owners’ share

# Brother-Sister Controlled Groups Example



## Controlling Interest (Step 1):

- Is total ownership equal to 80% or greater?

	Owner A	Owner B	Owner C	Total
X Corp.	20%	30%	25%	75%
Y Corp.	40%	10%	45%	95%
Z Corp.	20%	40%	25%	85%

## Effective Control (Step 2):

- Add the smallest interest each individual owns in each overlapping business.
- If that combined interest is greater than 50%, then a brother-sister controlled group exists

	Owner A	Owner B	Owner C	Total
X Corp.	20%	30%	25%	75%
Y Corp.	40%	<b>10%</b>	45%	95%
Z Corp.	<b>20%</b>	40%	<b>25%</b>	85%

# Parent-Subsidiary Controlled Groups



- One business owns a controlling interest (80% or more) in at least one other business
- “Chain Businesses” – parent owns a subsidiary and the subsidiary owns 80% or more of a second subsidiary
- Example:
  - Corporation A owns:
    - 90% of B Corp.
    - 85% of C Corp.
    - 65% of D Corp.
  - A is a common parent of B and C Corporations and thus its employees will be added together to determine “large employer” status under the ACA

# Do Owners and Family Members Count as Employees?



- An owner is not counted if he is a:
  - Sole proprietor, in a partnership, a shareholder owning more than 2% of an S corporation or an owner of more than 5% of other businesses
- Family members are not counted if:
  - Owner's children or grandchildren; siblings or step-siblings; parents or grandparents; step-parents; nieces or nephews; aunts or uncles; sons- or daughters-in-law; fathers- or mothers-in-law; or brothers- or sisters-in-law
- Owner and family member hours and wages do not apply to the FTE calculation

# What are Employers' Reporting Requirements?



- Must provide a summary of benefits and coverage (SBC) explaining coverage options and costs
- 2015 tax year, must report coverage offered to IRS (50+ FTE)
- Information must be filed beginning in 2016 for calendar year 2015
- General Reporting Method: each employer must file a Form 1094-C and a Form 1095-C for each employee

# Is My Business Eligible for Tax Credits?



- Businesses with fewer than 25 FTE
- Employees earn an average of \$50,000 a year or less
- Business must pay at least 50% of its full-time employees' premium costs
- There is no requirement to offer coverage to part-time employees or to dependents
- Small Business Health Care Tax Credit is worth up to 50% of your contribution toward employees' premium costs
- Tax credit is highest for companies with fewer than 10 employees who earn an average of \$25,000 or less



# What Resources are Available to Me?



- [www.aahoa.com](http://www.aahoa.com)
- [www.healthcare.gov](http://www.healthcare.gov)
- [www.sba.gov/healthcare](http://www.sba.gov/healthcare)
- [www.irs.gov](http://www.irs.gov)
- Be sure to **consult legal counsel** to review your personal situation before making decisions on healthcare options for your employees

Questions?

