

ACA Glossary

Below are frequently used terms in reference to the Affordable Care Act.

Disclaimer: *The Patient Protection and Affordable Care Act is a complex law. Any statements made by Trion, a Marsh & McLennan Agency, LLC concerning tax, accounting, or legal matters are based solely on our experience as insurance brokers and risk consultants and are not to be relied upon as accounting, tax, or legal advice. We recommend that you seek the advice of your own tax, accounting and legal advisers as to whether practices and procedures you implement for identifying full-time employees and offering health coverage, the health plans you select, and the required employee contributions are compliant with the Patient Protection and Affordable Care Act*

Common IRS Terms

Applicable Large Employer (ALE) – Any single employer, or group of employers treated as an Aggregated ALE Group, that had at least 50 *full-time employees* (including *full-time equivalent employees*) on average during the prior year is considered an ‘ALE’ for the current year. The employer is then subject to the employer shared responsibility provisions and the employer information reporting provisions.

Aggregated ALE Group – A group of ALE Members treated as a single employer under Internal Revenue Code section 414(b), 414(c), 414(m), or 414(o) (e.g., parent-subsidiary entities, brother-sister entities, affiliated service groups, etc.)

ALE Member – An employer that is a member of an Aggregated ALE Group.

Full-Time Employees – Employees who, for a calendar month, are determined to be full-time employees under either the monthly measurement method or the look-back measurement method (see ACA Measurement Terms).

Full-Time Equivalent Employees – A combination of employees, each of whom individually is not a full-time employee, but who, in combination, are equivalent to a full-time employee (solely for purposes of determining whether an employer is an ALE).

Variable Hour Employees – Employees for whom, based on the facts and circumstances at employee’s start date, the employer cannot determine whether the employees are reasonably expected to average at least 30 hours per week during an initial measurement period.

Part-Time Employees – Employees whom the employer reasonably expects will average fewer than 30 hours per week during an initial measurement period.

Affordability Safe Harbor - A method that an employer can use to satisfy the affordability test to determine affordable coverage is offered. Since employers do not know their employees’ household income, the IRS provides three “Safe Harbor” methods that can be used to estimate an employee’s income using the information the employer has. The 3 Safe Harbors are: W2 Wages, Rate of Pay and Federal Poverty Line.

Minimum Essential Coverage (MEC) – In general, coverage under an employer-sponsored health plan, regardless of plan value (relevant for satisfaction of 4980H(a)).

Minimum Value (MV) – A plan provides minimum value if the plan pays at least 60% of the costs for covered benefits and provides substantial coverage of inpatient hospitalization and physician services (relevant for satisfaction of 4980H(b)).

*With a **Self-Insured** (self-funded) health plan, employers operate their own health plan as opposed to purchasing a **Fully-Insured** plan from an insurance carrier. This is sufficient in regards to ACA. Section 3 of the 1095-C must be populated for Self-Insured Plans.*

Qualifying Offer – A qualifying offer of MEC providing MV to a full time employee, with a required employee contribution that does not exceed the allowance of the current years FPF rules provided that the offer includes offer of MEC to the employee's spouse and dependents (if any).

Employer Shared Responsibility Payment (ESRP) – This is the term used for the tax payment or penalty amount the IRS will assess for ALEs who do not follow or meet the minimum standards set forth in the Affordable Care Act.

IRS Form Related Terms

1095-C – The IRS Employer-Provided Health Insurance Offer and Coverage Information Return form, provides certain employees with information about the health coverage offered by their employer. In some cases, it may also provide information about whether the employee enrolled in coverage.

1094-C – The IRS Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns form, which summarizes all employee 1095-C forms.

1095-B – The IRS Health Coverage Information Return form, which insurance providers (for example, health insurance companies) send to individuals they cover, with information about who was covered and when.

1094-B – The IRS Transmittal of Health Coverage Information Returns form, which summarizes all employee/participant 1095-B forms.

Letter 226J – Forms the mainland single federal poverty line Sent by the IRS that acts as the initial proposal of the penalty that may be owed. High level, this letter will be issued if the IRS determines that, for at least one month in the year, at least one of the employer's full-time employee was enrolled in subsidized coverage through the Marketplace and the employer did not qualify for an affordability safe harbor.

W2 Wages – For purposes of the affordability W2 Safe Harbor, pulls the actual year end Box 1 income information from the employee's W-2. This is most useful for those who regularly work 40 hours/week and compensation is less likely to decrease during the year.

Pay of Rate – For purposes of the affordability Rate of Pay Safe Harbor, monthly wage for each hourly employee is calculated by multiplying 130 hours * hourly rate (regardless of the number of hours regularly worked. Applicable hourly rate is the lesser of the employee's lowest hourly rate in that calendar month or the employee's hourly rate at the beginning of the plan year. If the employees are paid purely on commission, this Safe Harbor shouldn't be used.

Federal Poverty Level – For purposes of the affordability Federal Poverty Level Safer Harbor, the assumed monthly wage for testing is the U.S. mainland federal poverty level for an individual, divided by 12. This is useful for employers with inexpensive medical plans or offers that are zero cost to the employee.

ACA Measurement Terms

Monthly Measurement Method – A method by which an employer determines the status of an employee as a full-time employee based on the employee's hours of service in a calendar month. An employee is a full-time employee for a calendar month if he/she was employed an average of at least 30 hours each week (or a total of 130 or hour hours) during the calendar month.

Look-Back Measurement Method – A method by which an employer determines the status of an employee as a full-time employee during a future period based upon the employee's hours of service in a prior period. An employee is a full-time employee for each month of a stability period if he/she was employed an average of at least 30 hours per week during the measurement period that preceded the stability period.

Standard Measurement Period – (A period within the Look-Back Measurement Method) This annual measurement period can be anywhere between 3 and 12 months, as determined by the employer. This is the timeframe that the employee is being measured to determine ACA eligibility, provided the employee was hired prior to the start of the measurement period..

Administrative Period – (A period within the Look-Back Measurement Method.) The timeframe in which the employer can offer or rescind coverage based on the ACA status determined during the measurement period. This period can be anywhere between 0 and 90 days (with some limitations following an initial measurement period).

Standard Stability Period – (A period within the Look-Back Measurement Method.) The period of time following a Standard Measurement and Administrative Period that the employee's status is based on the average number of hours during the measurement period, regardless of the number of hours the employee actually works during the stability period. This period must be the greater of 6 months or the length of the measurement period. .

Initial Measurement Period – (A period within the Look-Back Measurement Method.) This is an employee-specific measurement period for a new variable hour, part-time, or seasonal employee hired after the start of the current Standard Measurement Period. This period can be no more than 1 month shorter than the length of the Standard Measurement Period.

Initial Stability Period – ((A period within the Look-Back Measurement Method.) The period of time following an Initial Measurement and Administrative Period that the employee's status is based on the average number of hours during the measurement period,, regardless of the number of hours the employee actually works during the stability period. This period must be the same length as the Standard Stability Period (subject to additional rules if the subsequent Standard Stability Period overlaps).

Limited Non-assessment Period (LNAP) – A period during which an ALE Member will not be subject to an assessable payment (penalty) under 4980H(a), and in certain cases 4980H(b), for a full-time employee, regardless of whether the employee is offered health coverage during that period (e.g., new hire waiting period, initial measurement period, etc.)

MarketLink ACA Terms

Weekly Equivalency – (This is a MarketLink specific feature and term.) 40 hours/week will be automatically loaded for employer defined populations for the convenience of our clients so that they do not need to have hours loaded since this population is *Expected Full-Time*.

Expected Full-Time - A regular full time employee who is eligible for all institution benefits and paid time off. An expected full time employee is typically scheduled to work 40 hours a week, sometimes as little as 30 hours a week and not considered part time.

ACA Payroll Hours – Employee hours of service that is loaded into MarketLink to determine if the employee is considered ACA benefit eligible.