U.S. CHAMBER OF COMMERCE

HOW DOES THE EMPLOYER MANDATE WORK?

WHO … has to offer coverage?

Answer: Applicable large employers.

What does this mean?

Only employers with 50 or more "full-time equivalent" employees may be fined for failing to provide coverage to their full-time employees (and their dependants). In determining whether you have 50 or more full-time equivalent employees, you must include the hours worked by your part-time employees.

WHAT … is required to avoid the penalty?

Answer: Affordable coverage that provides minimum value.

What does this mean?

The rules are still being finalized, but for coverage to be affordable, the statute requires that for low-income employees—defined as those between 100-400% of federal poverty level—the employee's portion of the premium for individual coverage cannot exceed 9.5% of his/her household income. Secondly, to meet the minimum value requirement, the plan must pay, on average, at least 60% of the costs of covered services.

TO WHOM … must it be offered?

Answer: Full-time employees (and their dependants).

What does this mean?

A full-time employee to whom you must offer coverage is defined as working 30 hours or more a week, averaged over the course of a month. It is not clear what type of coverage, if any, must be offered to the dependants of full-time employees at this time.

OR ELSE … what will happen?

Answer: You may have to pay a penalty, which will vary based on whether you offer coverage or not.

What does this mean?

The penalty associated with the employer mandate is often called a "free-rider" penalty because it is triggered when an employer's low-income employee "free-rides" on the federal government to obtain health care coverage. Under the law, low-income employees that do not have access to affordable employer–sponsored coverage that provides the minimum value are eligible for financial assistance from the federal government in the form of a premium tax credit, to purchase coverage in the newly created exchange. This financial assistance will be available to low-income employees with income between 100%–400% of the federal poverty level (FPL), depending on family status (for example: a household income of $92,200 for a family of four in 2012 = 400% FPL). The penalty amount assessed to the employer will vary based on whether the employer fails to offer any health care coverage at all to full-time employees or offers coverage that is not affordable and/or does not provide the minimum value required.