



The Employer Mandate

The Employer Mandate was enacted as part of the Affordable Care Act (ACA). Under the Employer Mandate, if an employer has at least fifty (50) full-time/full-time equivalent employees, that employer must offer “minimum essential coverage” to “substantially all” “full-time employees” and their dependent children which is of “minimum value” and “affordable”, or else they may be subject to a penalty if a full time employee goes to the exchange and obtains a subsidy.

Under the Employer Mandate, there are two (2) types of potential penalties which an Applicable Large Employer may face if they fail to comply with the Employer Mandate requirements:

1. **The Non-Offering Penalty:** This penalty applies where an Applicable Large Employer fails to offer coverage to substantially all full-time employees and their dependent children, and at least one (1) full-time employee goes to the Exchange and obtains a subsidy. The amount of this penalty is \$2,570/year (indexed each year for inflation) per full-time employee employed by that employer, minus the first 30 employees.
2. **The Unaffordability Penalty:** This penalty applies where an Applicable Large Employer offers coverage, but such coverage is not of minimum value or is unaffordable. The amount of this penalty is approximately \$3,860/year (indexed each year for inflation) per each full-time employee who goes to the Exchange and obtains a subsidy.

ACA DEFINITIONS

- **Full-Time Employee:** An employee who works at least 30 hours/week.
- **Minimum Essential Coverage:** Most employer-sponsored major medical plans meet this standard.
- **Substantially All:** At least 95%
- **Minimum Value:** The plan pays for at least 60% of medical expenses.
- **Affordable:** For 2020, the plan costs the employee less than 9.78% of their family income. Keep in mind that there are Safe Harbors for calculating Affordability.



- **Applicable Large Employer (ALE):** An employer with fifty (50) or more full-time employees and full-time equivalent employees during the previous calendar year.

HIPAA

ERISA

COBRA

FMLA

ACA