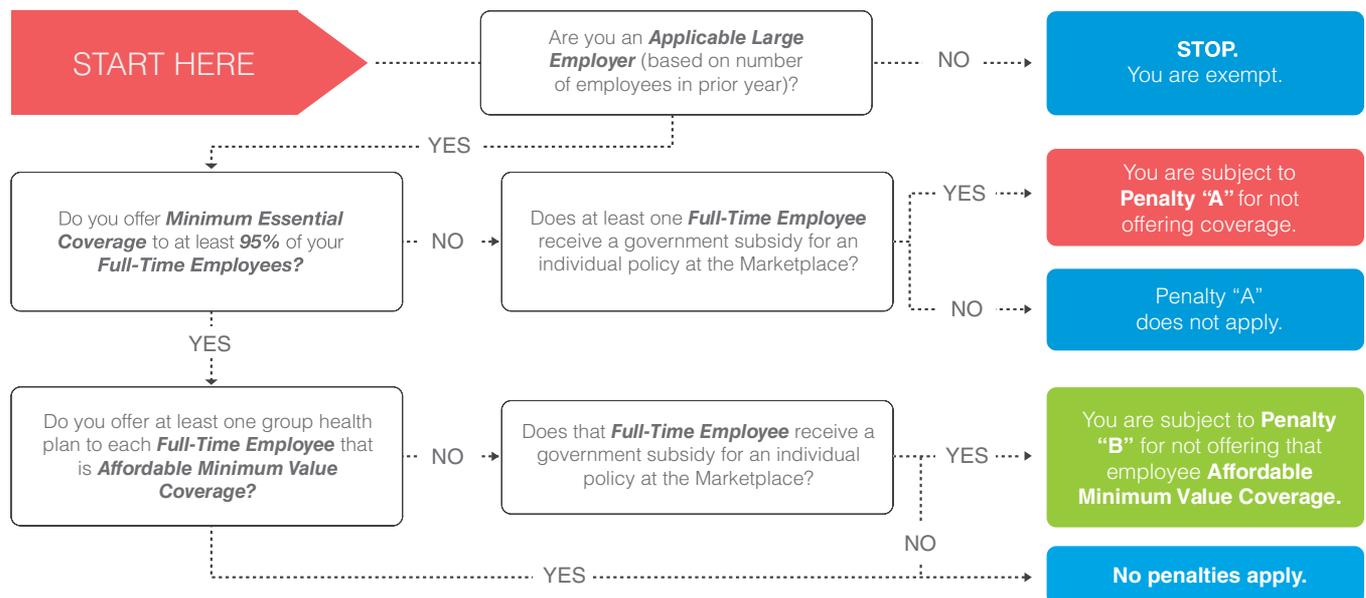


AFFORDABLE CARE ACT: EMPLOYER “PLAY OR PAY” BASICS

The Affordable Care Act's Employer Shared Responsibility (ESR) provision — often called “the Employer Mandate” or “Play or Pay” — requires Applicable Large Employers (ALEs) to offer health coverage to full-time workers or face potential penalties if the workers obtain government subsidies through an insurance Marketplace (Exchange).

Play or Pay is a two-prong test:

- A** First, does the employer offer basic health coverage to most full-time employees and their children? If not, the employer is at risk for a large penalty.
- B** For employers that pass the first prong without a penalty, the second test is whether the employer offers all full time employees and their children affordable coverage providing minimum value. If not, the employer is at risk for a different (smaller) penalty.



Note: Employers that meet various criteria may qualify for transition relief to avoid penalties for a period of time.

Definitions

Affordable Minimum Value Coverage: Plan's share of total allowed cost of benefits is at least 60 percent of such costs and employee's required contribution for self-only coverage does not exceed 9.69% in 2017 or 9.56% in 2018 of the employee's income from the employer.

Applicable Large Employer (ALE): Employed an average of 50 or more full-time employees (including full-time-equivalent employees) in the prior calendar year. Related employers in a controlled group must be counted together.

Full-Time Employee: Employee that averages at least 30 hours of service per week (or 130 per month) as determined under one of two specific measurement methods. Each hour for which payment is made or due (e.g., work, vacation, holiday, disability) is counted.

Minimum Essential Coverage (MEC): Employer-sponsored group medical plan. Dental- or vision-only plans, and most health FSAs, EAPs and fixed indemnity plans, are not MEC.

Penalty "A": Per month, $\frac{1}{12}$ of \$2,260 times the number of Full-Time Employees (minus 30) in 2017.⁽¹⁾

Penalty "B": Per month, $\frac{1}{12}$ of \$3,390 times the number of Full-Time Employees receiving subsidies due to employer's failure to offer affordable minimum value coverage in 2017.⁽¹⁾

⁽¹⁾ For later years, amounts may be adjusted for inflation.