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What Medium and Large Employers Should do now Regarding Health Insurance Reform

While it is true that only *small* employers – i.e., those with 50 or fewer employees – that will offer health insurance to their employees in 2014 through Vermont Health Connect (VHC) need to start working toward that change now, **employers with more than 50 employees must not simply ignore health insurance reform!** Waiting until 2015 to act could have budgetary consequences. Following are some particularly useful activities for medium and large employers to undertake sooner rather than later.

Learn the new state and federal definitions of full-time and seasonal workers. *Then* evaluate how your group measures up. Remember that while the *state* count determines when you must begin participating in VHC, the *federal* count determines whether you are subject to the Employer Responsibility ("Pay or Play") Penalty. Both count the average number of employees on working days during the preceding calendar year, and both count everyone who works 30 or more hours per week as a full-time employee. For federal coverage starting January 1, 2016, employee counts will include part-time employees as calculated with a specific full-time equivalent (FTE) method as well as seasonal employees who work up to 130 days per year. A worksheet on How to Count to 50 for VHC is at healthconnect.vermont.gov/information/businesses. Use the link in the first bullet, but ignore the second bullet (federal tax credits), which doesn't apply to most municipal entities.

Do a "Pay or Play" analysis to learn the federal penalty for not offering a health insurance benefit. Groups with 50 or more full-time and FTE employees (with full-time defined as 30 or more hours per week) that do not provide affordable minimum health insurance coverage to at least 95 percent of their full-time employees will be subject to a federal penalty. "Affordable" is defined as the employee's premium being no more than 9.5 percent of his or her household income. For 2014, the employer's penalty will be $2,000 for every full-time employee except the first 30 of them. For example, if you have 79 employees and do not offer health insurance to all full-time employees, you will pay $98,000 ($2,000 × 49 [79-30]). The penalty will increase in 2015 and increase significantly in 2016. Even if you offer health insurance as required by federal law, if any of your eligible employees chooses to buy through VHC as an individual, you will pay a penalty for each one. A flowchart illustrating the federal Employer Responsibility Penalty is at healthconnect.vermont.gov/information/businesses. (Use the link in the third bullet.)

If your current health insurance renewal date is not January 1, prepare for it to change to January 1 by the time you enter Vermont Health Connect. You must have a fractional year in either 2014 or 2015.

Review your collective bargaining agreements to be sure their wording accommodates changes that are mandated by federal or state health reform.

If you do not currently offer coverage to dependents, know that federal law requires employers with more than 50 employees that offer coverage to their employees must also make coverage available to those employees' dependents.

If you currently offer pro-rated benefits to your part-time employees, learn the pros and cons of doing so when individuals are eligible for income-sensitive federal health insurance tax credits and cost-sharing subsidies (to help pay for premiums and out-of-pocket costs). Consider whether you and/or they might be better served if you dropped their coverage so they could take advantage of federal tax credits. Determine a personnel policy that you will adhere to (or risk unfair labor lawsuits).

If you currently offer health insurance to pre-Medicare retirees, learn the pros and cons of doing so when individuals are eligible for income-sensitive federal health insurance tax credits and cost-sharing subsidies (to help pay for premiums and out-of-pocket costs). Consider whether you and/or they might be better served if you dropped their coverage so they could take advantage of federal tax credits. Determine a personnel policy that you will adhere to (or risk unfair labor lawsuits).

Determine if the employees that you think of as seasonal still qualify as seasonal. Vermont regulations proposed on April 26, 2013, define a seasonal employee as one who works for an employer 20 consecutive weeks or fewer in a calendar year, and works in a job scheduled to last 20 weeks or less. Working for more than 20 consecutive weeks in a calendar year makes an employee full-time or part-time, which should affect how you manage your seasonal workforce.

The overarching message here is that for larger employers, **careful management of your workforce is more important than ever**, especially with respect to how many hours a week or weeks a year certain employees are working. Not managing your workforce with a heightened awareness of the potential effects on health insurance requirements could produce surprising budgetary results – and not necessarily the happy kind.

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