



## APPLICABLE LARGE EMPLOYERS

### Obligations As An Applicable Large Employer

Health care reform can be complicated. At Rocky Mountain Health Plans (RMHP), we're here to help you understand the information that matters to you as an Applicable Large Employer.

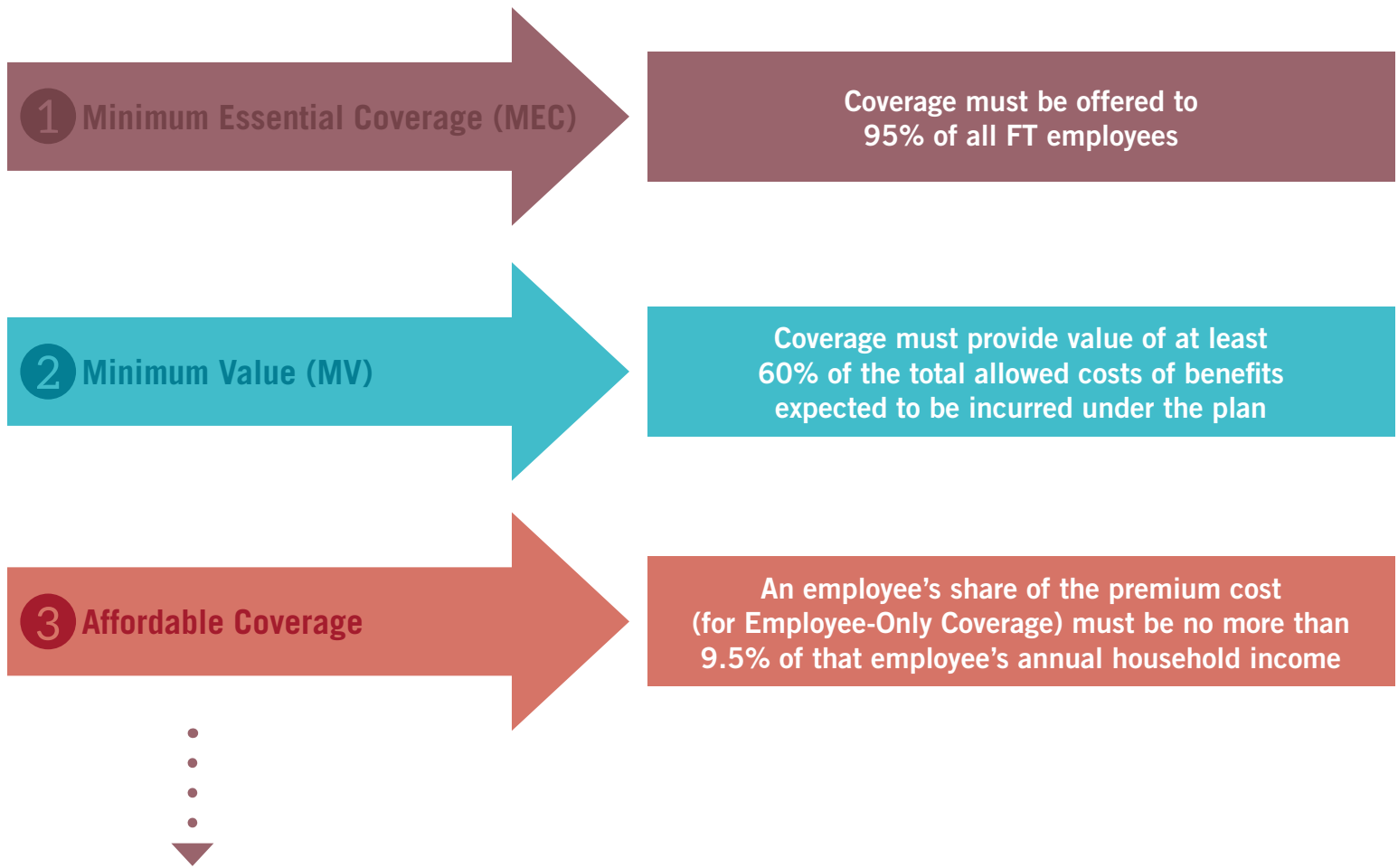
#### The Applicable Large Employer (ALE) Mandate

Applicable Large Employers are defined as one with 50 or more full-time (FT) employees, including full-time equivalents. For employers with 50-99 employees, the entire ALE mandate began in 2016.

[Learn more about the ALE Mandates inside.](#)



ALEs have the following three primary responsibilities. Employers may face penalties if the coverage does not meet the standards or no coverage is offered.



## Determining Affordable Coverage

Employers can use these Safe Harbor methods. Different methods may be used as long as they're used consistently among like employees. Affordability is based on employee-only coverage on the lowest priced plan offered.

<b>Form W-2</b> <ul style="list-style-type: none"><li>Wages the ALE pays the employee for the current year, as reported in Box 1 of Form W-2 for the current year</li></ul>	<b>Rate of Pay</b> <ul style="list-style-type: none"><li>Employee's hourly pay x 130 hours</li><li>Example: Hourly employee earns \$15/hour x 130 hours = \$1,950 (rate of pay) x 9.5% = \$185.25/month</li></ul>	<b>Federal Poverty Level (FPL)</b> <ul style="list-style-type: none"><li>Calculated based on the lowest FPL for a single individual. Lowest in 2016 = \$16,360</li><li>Example: \$16,360/12 = 1,363 x 9.5% = \$129.50</li></ul>
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If an employer offers multiple health care coverage options, the lowest-cost MEC option available to the employee will apply for all options.

# The Penalties Defined

Employers may be subject to the following penalties if:

- The three responsibilities are not met and
- At least one full-time employee is enrolled in the Marketplace and receives a premium tax credit

## Penalty A

- **Main Penalty:** Applicable if MEC is not offered OR is offered to less than 95 percent of all FT employees and their child dependents, AND at least one FT employee receives premium tax credits
- Penalty is \$2,320 per FT employee (minus first 30)

## Penalty B

- **Secondary Penalty:** Applicable if MEC is offered to 95 percent of all FT employees and their child dependents, but at least one FT employee receives premium tax credits
- For each employee receiving a tax credit, ALE will pay \$290 for each month the employee had premium tax credit coverage
- Penalty B can not exceed Penalty A

### Penalty A Example

	100 FT Employees No Coverage	Trigger 1 employee qualifies for tax credits and enrolls through Marketplace	Penalty \$2,320 per FT employee, minus first 30 employees
<b>Calculation</b>	70 100 FT employees (minus first 30)	x \$2,320 per FT employee	= \$162,400

### Penalty B Example

	100 Employees Not Affordable Coverage	Penalty \$3,480 (\$290/month) per FT employee who receives a subsidy	Example 50 employees receive subsidies and purchase through the Marketplace
<b>Calculation</b>	50 FT employees with subsidies for all months of the calendar year	x \$3,480 (\$290/month) Per FT employee receiving subsidy	= \$162,400*

\*True value is \$174,000; however, Penalty B can not exceed Penalty A.



## Employer Notices

### Section 1411 Certification

Employers will receive certification when an employee has enrolled in a health plan through the Marketplace and has qualified for Premium Tax Credits for a calendar month.

### IRS 226J Letters

The IRS will send 226J letters to employers subject to the Employer Mandate. If the IRS believes the employer did not satisfy their Employer Mandate responsibilities, the letter will include an assessed financial penalty, called the Employer Shared Responsibility Payment (ESRP). It is important employers take immediate action to develop a response to the IRS within the time frame provided in the letter. Detailed documentation, including previously reported Forms 1095-C, will help to reduce or eliminate the ESRP assessed.

## Get Help

Have questions? RMHP is here to help. You have options to get the answers you need:

- Contact your qualified Account Manager
- Visit the Employers section of the Affordable Care Act online at [irs.gov](http://irs.gov)

Learn More About Rocky Mountain Health Plans



Visit [rmhp.org](http://rmhp.org)



Email us at [rmhpsales@rmhp.org](mailto:rmhpsales@rmhp.org)



Call 800-453-2981, option 3 to speak with a plan expert.

