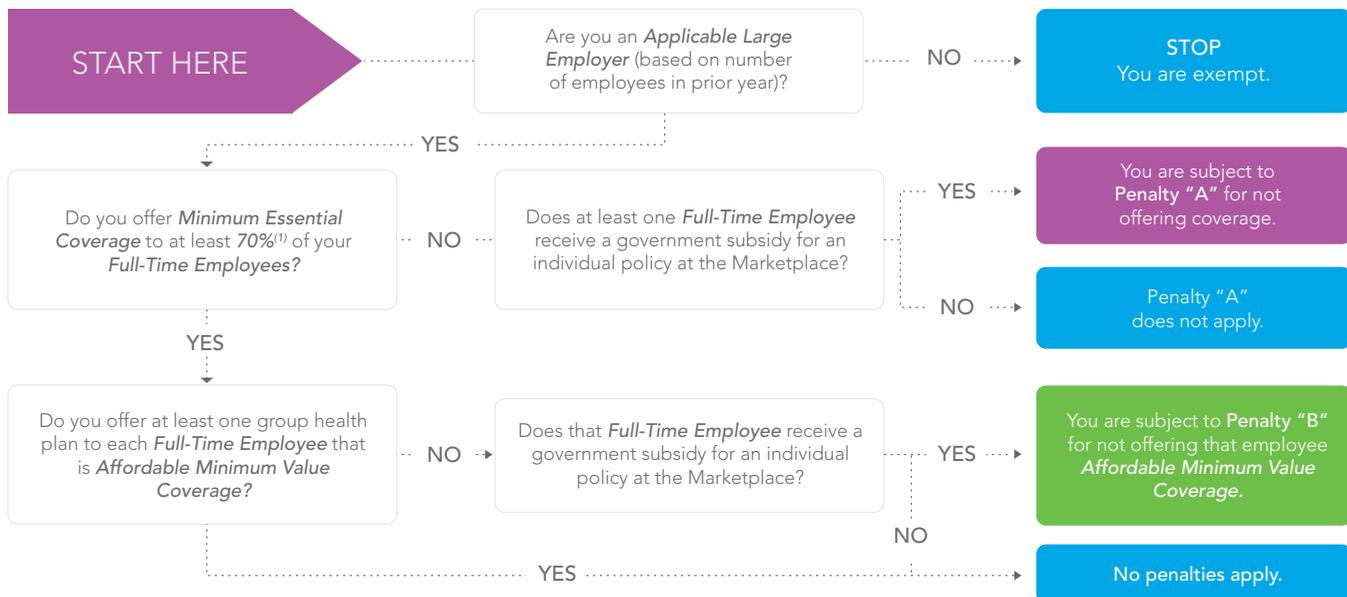


# AFFORDABLE CARE ACT: EMPLOYER "PLAY OR PAY" BASICS

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 9.56 percent (if 2015; 9.66 percent if 2016) 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, 1/12<sup>th</sup> of \$2,080 times the number of Full-Time Employees (minus 80) in 2015. (For 2016, replace \$2,080 with \$2,160 and replace 80 with 30.)

**Penalty "B":** Per month, 1/12<sup>th</sup> of \$3,120 times the number of Full-Time Employees receiving subsidies due to employer's failure to offer affordable minimum value coverage (in 2015). (For 2016, replace \$3,120 with \$3,240.)

<sup>(1)</sup> For 2015. For 2016 and later years, replace 70% with 95%.