

# Health Care Reform:

## Understanding full time, part time, & seasonal worker obligations

### Overview:

One of the many challenges of navigating the requirements of the Affordable Care Act is often understanding which employees fall into which categories. Specifically how do you classify employees as being full time, part time, or seasonal? The federal government has released a series of technical guidance documents to assist employers with these calculations. Below is a summary of the general requirements an employer faces when making these decisions.

### Who Is Eligible for Coverage?

The general rule is that if an employer offers group health coverage to any full-time employees, the employer must offer coverage to all full-time employees.

Below are more details regarding who can receive coverage under your business's group plan. In addition, any dependents of eligible employees are also generally eligible for coverage under a group plan. Dependents include spouses, children, and in some cases, unmarried domestic partners.

An employer can cover any employee who is on the payroll and for whom he or she pays payroll taxes. Although employees can opt out of the benefit program, virtually all insurers do require that a minimum number of your employees participate in their plan.

Eligible employees generally include those who are on paid vacation, maternity or sick leave. With few exceptions, employees who are on unpaid leave are ineligible until they return to active work.

The following individuals are usually not eligible for small group medical coverage:

- Employees covered under a collective bargaining agreement
- Employees of unrelated organizations
- Independent contractors
- Non-employee directors of the company
- Retirees
- Seasonal employees
- Temporary employees

In addition determining who is full time, part time, and seasonal can be a bit challenging. The outlines of the defining factors are as follows:

## Full-Time Employees vs.

A full-time employee is an individual that works, on average, 30 or more hours of service each week or 130 service hours per calendar month.

## Full-Time Equivalent

A full-time equivalent (FTE) is a unit that measures the workload of all employees not considered full-time by comparing their combined hours to those required by an "equivalent" full-time employee (1 FTE = 1 full-time employee's workload). Calculating Full-time Equivalents:

An employer must calculate the number of FTEs it employed during the preceding calendar year and count each one as a full-time employee for that year. All employees who were not full-time employees for any month in the preceding calendar year are included in calculating the employer's FTEs for that month by:

1. Calculating the aggregate number of hours of service (but not more than 120 for any employee) for all employees who were not employed on average at least 30 hours of service per week for that month; and
2. Dividing the total hours of service determined above by 120.
3. The result is the number of FTEs for a calendar month

## Part Time Employees

The employer has the option to offer coverage to part-time employees (**defined as those working fewer than 30 hours per week**). If the employer offers coverage to any part-time employees, all of them must be offered coverage.

## Seasonal Employees

Seasonal employees working fewer than 120 days per year are excluded from calculation of whether an employer is an ACA covered large employer and from penalty calculations

**Conclusion.** In most instances the determination of employee classifications does not need to be complicated, however depending on the number of part-time employees you have and the hours they work over any given plan year, they may qualify as full time. Contact our team for further information on this subject.

**For more detail on this regulation, visit the IRS website listed below.**

<http://www.irs.gov/pub/irs-drop/n-12-58.pdf>