



IN THE BUSINESS OF YOUR SUCCESS®

ACA Checklist for Small Businesses



Small employers, those with less than 50 full-time equivalent employees (FTEs) as defined by the Affordable Care Act (ACA), are not subject to shared responsibility (a penalty for failing to offer group health insurance). However, small employers are still subject to other ACA provisions.

Use the checklist below to help you understand some of these requirements.

All Employers

Determine “employer size” as it relates to the ACA:

Beginning in 2015, employers with at least 100 FTEs must offer full-time employees the opportunity to enroll in minimum essential health coverage. (Note: Employers with 50 or more FTEs are subject to the employer mandate beginning in 2016.)

To determine employer size under the ACA, use the following steps:

- ✓ Determine controlled group status: Controlled groups, as defined by **§414(c) of the Internal Revenue Code**, exist when any two or more entities are connected through ownership. Employers that are part of a controlled group generally must be combined for the purpose of determining employer size.
- ✓ Calculate number of full-time employees: Determine number of employees who work an average of at least 30 hours per week.
- ✓ Calculate number of full-time equivalent employees (FTEs): Add all the hours worked by your part-time employees (those working less than 30 hours per week) in a month and divide by 120.
- ✓ Arrive at a total number of FTEs: Add the number of full-time employees and FTEs to arrive at your final number. This calculation can be rounded down to the nearest whole number.

It's important to note that arriving at this calculation can be complicated and there are multiple factors that need to be considered. Employers are urged to work with their tax advisor, insurance carrier and legal counsel.

Notify Employees of Health Insurance Marketplace:

Employers must notify all of their employees, regardless of their plan enrollment status or whether they are part-time or full-time, of the availability of the Health Insurance Marketplace.

- ✓ Obtain the model Notices of Coverage Options to help satisfy this requirement.
- ✓ Notify all new hires within 14 days of hire: Depending on your situation, provide either the version for employers who offer health insurance coverage or the version for employers who do not offer coverage.

For Employers that Offer Health Insurance

Does your plan offer “Essential Health Benefits”?

The ACA requires that group health plans generally offer a standard package of benefits referred to as “essential health benefits.”

- ✓ Review plan documents and work with your insurance carrier to ensure that essential health benefits are provided for all health plans.
- ✓ Essential health benefits are to include at least the following: ambulatory patient and emergency services; hospitalization; maternity and newborn care; mental health, behavioral health and substance use disorder services; prescription drugs; rehabilitative and habilitative services and devices; laboratory services; preventive and wellness services and chronic disease management; and pediatric services including oral and vision care.

Does your plan offer “Preventive Services”?

Under the ACA, generally all health plans must cover “recommended” preventive services and “routine” immunizations without subjecting participants to cost-sharing measures when such services are delivered by an in-network provider.

- ✓ Review plan documents and work with your insurance carrier to ensure that “recommended” preventive services and “routine” immunizations are covered in your health insurance plan.
- ✓ Ensure these services are provided without subjecting participants to cost-sharing measures, such as a co-pay, deductible, or co-insurance, when such services are delivered by an in-network provider.

Preventive services include, but are not limited to: blood pressure, diabetes and cholesterol tests; certain cancer screenings; health counseling; and well-baby and well-child visits. A full list of covered services is available on [HealthCare.gov](https://www.healthcare.gov). A vaccination is considered “routine” if it appears on the Immunization Schedules of the Centers for Disease Control (CDC) and Prevention. The CDC’s Immunization Schedules can be found on the CDC website by [clicking here](#).

Consider Other Health Insurance Reforms:

Employers that offer group health insurance should be familiar with additional insurance reforms under the ACA. Work with your insurance carrier to ensure that your plan:

- ✓ Prohibits annual dollar limits
- ✓ Has removed pre-existing conditions exclusions
- ✓ Covers dependents up to the age of 26
- ✓ Restricts waiting periods to a maximum of 90 calendar days

This is not a full list of all insurance reforms under the ACA. Carefully evaluate your health plan and work with your insurer on plan design.

Are you Eligible for the Small Business Healthcare Tax Credit?

Certain small employers that offer group health insurance may be eligible for a premium tax credit. The credit is designed to encourage small employers to offer, and maintain, group health insurance.

To help assess eligibility, consider the following questions:

- ✓ Do you offer health insurance under a “qualifying arrangement”? For each employee enrolled in your plan, you must pay the same percentage towards his or her premium expenses and that percentage must be at least 50%.
- ✓ Do you have fewer than 25 FTEs? To determine the number of FTEs, divide the total hours of service credited during the year to all employees taken into account (a maximum of 2,080 hours for each employee) by 2,080. Round down to the next lowest whole number. Note: The method used to determine the number of FTEs for purposes of the health care tax credit is different than the method used for determining whether the business has 50 or more FTEs for purposes of the employer mandate (“shared responsibility”).
- ✓ Are average annual wages less than \$50,000 per FTE? To determine the average annual wages paid to FTEs, divide the total wages paid to employees taken into account during the taxable year by the number of FTEs. The result is rounded down to the nearest \$1,000.
- ✓ Have you enrolled in the Small Business Health Options Program (SHOP)? The tax credit is only available for plans bought through the SHOP.

[IRS Form 8941](#) can be used to calculate the credit.

Recommendation:

Employers should work closely with their insurance carrier and legal counsel to help ensure their health plan and workplace policies and procedures comply with the various ACA requirements.

This checklist is included in the ACA Toolkit in the HR Solutions packages in RUN Powered by ADP® (RUN). For clients with questions on the ACA Toolkit in the HR411® section of RUN contact an HR Solutions Specialist or the HR HelpDesk.

If you are not a client and would like more information about the HR Solutions in RUN, contact your ADP Sales Associate.

This content provides practical information concerning the subject matter covered and is provided with the understanding that ADP is not rendering legal advice or other professional services. ADP does not give legal advice as part of its services. While every effort is made to provide current information, the law changes regularly and laws may vary depending on the state or municipality. This material is made available for informational purposes only and is not a substitute for legal advice or your professional judgment. You should review applicable law in your jurisdiction and consult experienced counsel for legal advice.