

CASE STUDY: VARIABLE HOUR AND SEASONAL EMPLOYEES UNDER THE AFFORDABLE CARE ACT

The Affordable Care Act (ACA) mandates that every employer with 50 or more full-time equivalent employees in the United States must offer health coverage to all employees averaging 30 hours of service per week or pay a financial penalty. This includes variable hour and seasonal workers who average 30 or more hours over a defined period of time.

For employers with a large proportion of variable hour and seasonal employees, the new regulations can have deep financial implications for how their business operates with respect to staffing, hiring and managing their overall benefits program.

As the employer mandate has been delayed until 2015, it still remains to be seen how guidance on measurement and stability periods might change. However, the following case study is based on the Act's current provisions.

THE SCENARIO

A restaurant franchise group has a proportionally high number of hourly employees, with a small number of salaried workers currently enrolled in their benefits program. The current participation rate of 7.4% results in an annual net cost of \$464,848 for this employer, excluding employee contributions.

Working with MMA, the employer conducted a 12-month measurement and stability analysis of their employees. Based on this analysis, it was determined that under the new PPACA regulations, approximately 330 of their total variable hour workers averaged 30 or more hours per week during a defined period. Although these employees are not eligible for benefits today, they are considered full-time and eligible under the new regulations.



RESTAURANT FRANCHISE GROUP

Total Employees – 1,791

- 114 salaried
- 1,677 hourly

Currently enrolled in benefits – 133

- 93 salaried
- 40 hourly

Current participation rate – 7.4%

Current Annual Net Cost = \$464,848

THE REQUIREMENTS

The employer conducted a 'pay or play' analysis with MMA and decided to continue to offer benefits to their employees (i.e., 'play'). Under the new regulations, they need to make certain to meet the following requirements:

- Offer a medical benefit plan that qualifies as minimum essential coverage to at least 95% of full-time employees and their dependent children.
- Provide affordable and sufficient benefits under the new regulations. These are defined as:
 - Affordable: No more than 9.5% of income towards the cost of employee-only coverage for employees earning between 100% to 400% of the federal poverty level.
 - Sufficient: The plan design needs to have a minimum actuarial value of 60%.

THE IMPACT

Based on the employer's current benefits plan, staffing and hiring structure, they were facing an increase of \$500,000 in net health care costs. In addition to the financial impact, the employer's current plan needed to be adjusted and their contribution strategy altered to meet the sufficiency and affordability requirements established under ACA.

These requirements needed to be evaluated against their current procedures for tracking employee hours, hiring and staffing to best meet the financial and operational needs of the business over the long term.

OUR APPROACH

To determine how to structure their benefits program going forward, the client needed to figure out what their financial exposure would be under several different enrollment and staffing assumptions. Working with MMA, the employer was able to:

- Assess their financial exposure by leveraging our proprietary modeling tools
- Analyze and evaluate their various enrollment options
- Calculate the potential financial implications under various staffing and hiring protocols
- Evaluate the current plan against the new sufficiency and affordability requirements

Using our in-depth knowledge of employee benefits services, combined with our deep understanding of health care reform, we were able to structure the right plan to balance ACA regulations with the client's business, staffing and operational requirements.

THE MMA ADVANTAGE

At Marsh & McLennan Agency, our local team of employee benefits and insurance experts is backed by the national resources of MMA and our parent company, MMC. We have a dedicated team of experts across the country monitoring and analyzing health care reform and creating leading-edge benefits strategies to help you better run your business. With MMA, you have the confidence of knowing that we can help you navigate the complexities of today and prepare for the future.

For more information, visit MMAAffordableCareAct.com or your local representative.

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