INFOSHEET

ACA Penalties and What They Mean for Your Company

As a core component of the employer shared responsibility provision, applicable large employers (ALEs) must offer healthcare that meets minimum essential coverage (MEC) requirements to 95% of their full-time employees and their dependents.

If your company is subject to this mandate, failure to meet these guidelines or to properly complete your IRS forms could expose your company to penalties that increase the longer you remain out of compliance. Here is a look at what those penalties are and what they could mean for your company.

Penalty A: Not offering minimum essential coverage to employees

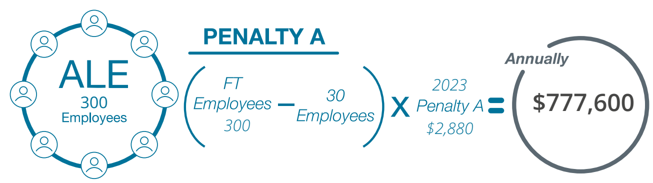
Compliance Considerations:

- Employees expected to work more than 30 hours a week — and their dependents — must be offered coverage within 90 days of hire.
- If you cannot reasonably determine at the time of hire that the employee will work over 30 hours a week, then the employee may be classified as a variable-hour employee. Full-time status for variable-hour employees can be measured via monthly or look-back measurement.

Dollars and Penalties:

- Penalty A is assessed when a company fails to meet the 95% threshold
- For 2023, the financial impact of a Penalty A violation is $2,880 per year per full-time employee.
- There is no penalty for the first 30 full-time employees, with the credit applied proportionately across all ALE Members within a reporting control group.

For this example, let's look at an employer with 300 employees.



Penalty B: Failure to offer coverage to full-time employees or offering coverage that doesn't provide minimum value and/or is unaffordable

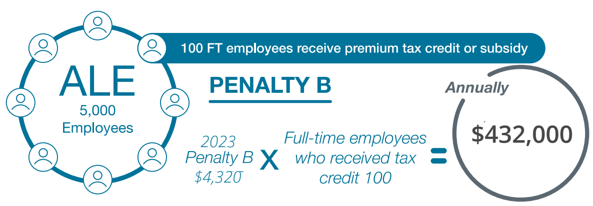
Compliance Considerations:

- Employers must offer affordable coverage that provides at least minimum value coverage and is considered a qualified health plan to full-time employees.
- Compliance is necessary (even if the ALE does offer MEC to at least 95% of its full-time employees). If one or more full-time employees receive a premium tax credit through the Health Insurance Marketplace, employers may be subject to fines often referred to as Penalty B.

Dollars and Penalties:

- Penalty B is calculated for every full-time employee who:
  - Was not offered affordable minimum value coverage
  - Went to the Health Insurance Marketplace AND
  - Qualified for a premium tax credit

- The $4,320 penalty per year is multiplied by the total number of full-time employees who receive a premium tax credit or subsidy on the exchange.
- This penalty is assessed for each month an eligible employee is not offered coverage.
- The financial implications associated with Penalty B are capped at the Penalty A maximum. The company will not need to pay more than would have been assessed for not offering any coverage.



For example, if 100 ACA full-time eligible employees who were not offered minimum value coverage and/or the coverage was not affordable under one of the safe harbor options receive a premium tax credit or subsidy on the exchange, the following penalty could be assessed.

Finding support to mitigate your risk

Equifax ACA HQ™ provides you monthly visibility and the ability to view compliance levels on an individual by individual ALE Member basis while conducting a deeper assessment into potential risks within different segments, locations and populations.

To learn more about how we can help your company ward off potential penalty concerns, contact us today.

To help find answers to any other look-back measurement questions or to see how Equifax ACA HQ™ tracks all service hours worked and provides detailed reporting on essential data, contact us today.

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