



Measuring ACA Eligibility Through the Look-Back Method

Under the Employer Shared Responsibility Provisions of the Affordable Care Act (ACA), large employers must offer health coverage that meets Minimum Essential Coverage (MEC) requirements to 95 percent of their full-time employees or be exposed to possible penalties. This includes anyone who averages 30 or more hours of service per week or 130 hours per month.

Employers can determine their employees' full-time status by counting each employee's hours of service using one of two "equivalency" measurement methods: monthly and look-back. Let's focus on the look-back measurement.

What is the Look-Back Method?

The look-back method allows an employer to "look back" and determine full-time status by tracking employee hours over a set period of time and then calculating the average number of hours worked.

There are three critical parts to look-back measurements:

1. Measurement Period

- The period for which the employer "looks back" to historical hours of service.
- This period can be 3-12 months long.
- The employer chooses the length within these standards.
- Two types of measurement periods:
 - Initial Measurement for new employees and
 - Standard Measurement for ongoing employees. Standard Measurement periods must be identical for all employees of a given category.

New employees

To measure eligibility for new hires, you must consider if the employee is reasonably expected to work more than 30 hours a week. If yes, then the employee should be measured as a new full-time employee. If you can't reasonably determine that the new employee will work over 30 hours a week, then the employee may be classified as a variable employee.

New full-time employees

Employees who are expected to work over 30 hours a week should be measured monthly until the start of their first standard stability period. The employee and his/her dependents must be offered coverage by the first of the fourth full month after hire.

Initial Measurement Period: New variable hour employees

You should begin tracking hours for new variable hour employees on a go-forward basis, which is called an 'Initial Measurement Period'. Equifax recommends a look-back period of between 6 and 12 months that begins on any date between the first pay period the employee's hours are recorded and the first day of the first month following the start date.

If the employee's hours meet or exceed a full-time average of 130 hours per month over the initial measurement period, they will be determined to be "full-time" and therefore eligible for coverage throughout the subsequent stability period — even if their hours are reduced during the stability period.

**Standard Measurement period:
Ongoing employees**

Standard measurement periods are used for ongoing employees, meaning an employee who has worked one full standard measurement period. In this case, employers must look back to average the work hours across the measurement period. If the employee averages 130 hours or more per month, the employee is considered full-time and eligible for benefits under the ACA.

Final Points of Consideration

The look-back measurement method may not be used in the calculation of full-time employee counts for purposes of determining status as an Applicable Large Employer. Instead it can only be used for determining:

- To whom the employer must offer minimum essential coverage to avoid an employer shared responsibility payment; and
- The amount of any potential liability for an employer shared responsibility payment.

2. Administrative Period

This references the administrative waiting period that can be applied after employees have been measured and before the healthcare benefits are effective. This period can be no more than 90 days and is optional for employers.

3. Stability Period

The stability period locks in the coverage period for employees during either an initial or standard measurement period. The stability period cannot be shorter than the measurement period and must be 6-12 months long. Often, it is the same length as the measurement period.

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.

workforce.equifax.com

This information is intended as general information; not as any legal, tax or financial advice.

Copyright © 2023, Equifax Inc., Atlanta, Georgia. All rights reserved. Equifax is a registered trademark of Equifax Inc. WF-12993753