Affordable Care Act (ACA) Employee Status Code Instructions

The Affordable Care Act (ACA) requires employers to report whether new employees, returning employees, or employees who experience a change in employment status, are anticipated to average 130 or more hours of service per month over the next 12 months.

HCA has created ACA employee status codes that will be used to identify the average hours of service, per month, the employer anticipates the employee will work over the following 12 months. These codes must be entered into the system of record. Codes will either be manually entered or automatically calculated in the payroll system, based on the payroll system's chosen method. To make capturing this information easier, we have included the ACA requirements on the newly eligible and regaining eligibility worksheets. An additional worksheet (A-0) has been created that only includes the ACA requirements. This worksheet can be used for employees who are specifically excluded from eligibility for PEBB benefits (e.g. certain students or board members).

Remember, the ACA definition of full-time <u>does not</u> determine eligibility for PEBB benefits.

Defining an "employee"

The ACA defines an employee as anyone who is paid for service; this includes employees such as students (see "special considerations" on pg. 2), board members, etc. who may be specifically excluded from eligibility for PEBB benefits. An ACA employee status code must be assigned to every new and returning employee beginning January 1, 2014. The code will be tracked and used to meet the federal reporting requirement.

The first step in capturing this information is to determine the "type" of employee. There are three types, choose the one that best describes the employee:

> **Employee** – An "employee" is a new or returning employee who does not meet the definition of "educational organization employee" or "seasonal employee."
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> **Educational Organization Employee** – An "educational organization employee" is a new or returning employee employed by an educational organization such as a primary, secondary, preparatory or high school and colleges and universities. Non-faculty employee positions may be "seasonal employees" when the non-faculty position meets the definition below.
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> **Seasonal Employee** – A "seasonal employee" is a new or returning employee who the employer reasonably expects to perform labor or services on a seasonal basis (e.g. at a specific time of the year), for six months or less. Faculty of educational organizations are not allowed to be "seasonal employees."

Anticipated average hours of service per month

The anticipated average hours of service is determined by considering the anticipated average hours of service over the next 12 month period. The employer cannot take into account the likelihood that the employee may terminate employment before the end of the entire 12-month period, except seasonal employees. For seasonal employees only, the employer must consider the entire 12-month period, including months with zero hours of service following the season, when determining anticipated average hours of service per month.

Hourly Employee Rules

- Consider each paid hour of service, and
- Consider each hour entitled to pay for vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence.

Non-hourly Employee Rules – *Equivalencies, if used, must not understate actual work hours.*

- Consider hours of service as described for hourly employee rules (above); or
- Consider days-worked equivalency: Assume the employee will work 8 hours of service for each day the employee would be credited at least 1 paid hour of service under hourly employee rules; or
- Consider a weeks-worked equivalency: assume the employee will work 40 hours of service for each week the employee would be credited at least 1 paid hour of service under hourly employee rules; or
- Adjunct Faculty: Until further federal guidance is issued, employers of adjunct faculty (and other positions that similarly require the employer to credit hours of service because compensation is not based primarily on hours of service) are required to use a reasonable method for crediting hours of service. Take note that a reasonable method for adjunct faculty would account for hours outside of classroom or other instruction time, such as preparation time necessary to perform the employee's duties. For example, regulations describe one reasonable method that credits 2.25 hours of service for each hour of teaching or classroom time (to account for class preparation and grading), and credits any hours required of the faculty member for other required duties (such as faculty meetings or office hours).

Special Considerations

- Educational Organization Employment Break Period: An educational organization employer cannot take into account the likelihood of an employment break period when determining its expectation of a new employee's future hours of service. An employment break is a period of at least four consecutive weeks during which an employee is not credited with hours of service.
- Student Employees: An employer can disregard anticipated hours of service of student employment in positions subsidized through the federal work study program or a substantially similar program of a state or local government. However, the employer <u>must</u> credit a student employee for hours of service in any other (non-work study) capacity.
- On-call Hours: An employer must credit an employee with an hour of service for any on-call hour for which payment is made or due by the employer, for which the employee is required to remain oncall on the employer's premises, or when remaining on-call prevents the employee from using the time effectively for the employee's own purposes.
- Volunteer Employees: An employer can disregard hours of service for bona fide volunteers, whose only compensation is for (i) reimbursement for reasonable expenses incurred in the performance of service by volunteers, or (ii) reasonable benefits (including length of service awards), and nominal fees, customarily paid by similar entities in connection with the performance of services by volunteers.

When is an ACA Status Code Entered?

An ACA Status Code must be determined for each new employee, returning employee, or when an employee experiences a change in employment status:

New Employee – An employee hired by the employer into their first position with the employer.

Returning Employee – An employee who previously worked for the employer, experienced a break in service, and now works for the employer again. The employee may be returning to the same or a new position with the employer.

Change in Employment Status – A new code is needed any time a change in employment status occurs, such that, if the employee had begun employment in the new position or status, the employer would have reasonably anticipated that the employee would average at least 130 hours of service per month over the following 12 months. The change in employment status may result in keeping the same, or entry of a different, ACA Status Code. For example:

- Experiencing a change in employment status due to a new appointment (e.g. moving to a new job);

- Gaining an additional appointment (e.g. accepting a new job in addition to the current job), or increasing hours of service in the existing appointment;

- Losing an appointment but not terminating employment (e.g. completing an appointment and reducing hours), or reducing hours of service in the existing appointment.

An ACA Status Code is <u>not</u> entered when an employee terminates employment.

ACA Status Codes

Choose the code that best describes the employee:

Employee Type	ACA Status Code	Definition
Non-Educational Organization Employee	Y1	Anticipated to work an average of at least 130 hours of service per month over the next 12 months
	N1	Anticipated to work an average of less than 130 hours of service per month over the next 12 months
Educational Organization Employee	Y2	Anticipated to work an average of at least 130 hours of service per month over the next 12 months
	N2	Anticipated to work an average of less than 130 hours of service per month over the next 12 months
Seasonal Employee (not applicable to <u>faculty</u> positions)	Y3	Anticipated to work an average of at least 130 hours of service per month over the next 12 months
	N3	Anticipated to work an average of less than 130 hours of service per month over the next 12 months

Examples

Please note: The ACA definition of an employee <u>does not</u> determine eligibility for PEBB benefits. When determining eligibility for benefits apply WAC 182-12-114 and WAC 182-12-131.

<u>Employee</u>

1. An employer hires an employee who is anticipated to work full-time (2080 hrs/year) over the next 12 months.

Calculation:	Step 1: 2080 hrs divided by 12 mo = 173.33 avg hrs/mo
Result:	Code Y1 – Employer would enter the code on the worksheet; depending on the payroll system, the code will either be manually entered or automatically calculated into the system.

2. An employer hires an employee who is anticipated to work full-time (2080 hrs/year) over the next 7 months. Because under the ACA regulations the employer cannot take into account the likelihood the employee will terminate after 7 months, the employer <u>must</u> anticipate the employee will work for the next 12 months.

Calculation:	Step 1: 2080 hrs divided by 12 mo = 173.33 avg hrs/mo
Result:	Code Y1 – Employer would enter the code on the worksheet; depending on the payroll system, the code will either be manually entered or automatically calculated into the system.

3. An employer hires an employee who is anticipated to work 173.33 hrs/mo for the first 4 months and then work 80 hrs/mo for the remainder of the 12 month period.

Calculation:	Step 1: 4 mo x 173.33 hrs/mo = 693.32 hrs
	Step 2: 8 mo x 80 hrs/mo = 640 hrs
	Step 3: 693.32 + 640 = 1333.32 hrs
	Step 4: 1333.32 hrs divided by 12 mo = 111.11 avg hrs/mo
Result:	Code N1 – Employer would enter the code on the worksheet; depending on the payroll system, the code will either be manually entered or automatically calculated into the system.

4. Consecutive Employment at the Same State Agency:

In February, employer "A" hires an employee (appointment #1). Employer "A" anticipates the employee will work an average of 130 hours of service per month or more, and assigns Code Y1.

In April, the employee accepts a different position with employer "A" (appointment #2). Employer "A" now anticipates the employee will work an average of less than 130 hours of service per month in the new appointment, and assigns Code N1.

Result: Employer "A" enters Code Y1 for appointment #1 (as a new employee); and, Code N1 for appointment #2 (as an employee who experienced a change in employment status) on the worksheets. Depending on the payroll system, the codes will either be manually entered or automatically calculated into the system.

5. Concurrent Employment at the Same State Agency:

In June, employer "A" hires an employee (appointment #1). Employer "A" anticipates the employee will work an average of 80 hours of service per month, and assigns Code N1.

In July, the employee accepts an additional appointment with employer "A" (appointment #2). The additional appointment is anticipated to be 50 hours of service per month. Employer "A" now anticipates the employee will work an average of 130 hours of service per month or more, when considering both appointment #1 and #2, and assigns Code Y1.

Result: Employer "A" enters Code N1 for June; and, Code Y1 for July on the worksheets. Depending on the payroll system, the codes will either be manually entered or automatically calculated into the system.

6. Concurrent Employment at Different State Agencies:

In January, employer "A" hires an employee. Employer "A" anticipates the employee will work an average of 80 hours of service per month, and assigns Code N1.

In February, the employee accepts an additional appointment with employer "B." Employer "B" anticipates the employee will work an average of 80 hours of service per month, and assigns CodeN1.

Each state agency is aware of the employee's employment at the other state agency; however, each state agency calculates the appropriate ACA Employee Status Code specific to employment at only their individual state agency.

Result: Employer "A" enters Code N1 for January on the worksheet. Employer "B" enters Code N1 for February on the worksheet. Depending on the payroll system, the codes will either be manually entered or automatically calculated into the system.

Educational Organization Employee

1. A higher education institution hires an employee who is anticipated to work as full-time faculty the equivalent of 2080 hrs/year (or 173.33 hrs/mo) for all months except two months during the year when the faculty will work 0 hrs/mo. Because an educational organization employer cannot take into account the likelihood of an employment break period of greater than four weeks in determining its expectation of future hours of service, the employer must anticipate the employee will work the same hours of service during the employment break period.

    Calculation: Step 1: 10 mo x 173.33 hrs/mo = 1733.30 hrs

    Step 2: 2 mo x 173.33 hrs/mo = 346.66 hrs

    Step 3: 1733.30 hrs + 346.66 hrs = 2079.96 hrs

    Step 4: 2079.96 hrs divided by 12 mo = 173.33 avg hrs/mo

    Result: Code Y2 – Employer would enter the code on the worksheet; depending on the payroll system, the code will either be manually entered or automatically calculated into the system.

2. A higher education institution hires an employee who is anticipated to work as a full-time faculty replacement 100% of full time work load with the equivalent of 2080 hrs/year (or 173.33 hrs/mo) for fall and winter quarters. Because under the ACA regulations the employer cannot take into account the likelihood the employee will terminate after only two quarters, the employer must anticipate the employee will work 100% of full time work load over the next 12 months.

    Calculation: Step 1: 2080 hrs divided by 12 mo = 173.33 avg hrs/mo

    Result: Code Y2 – Employer would enter the code on the worksheet; depending on the payroll system, the code will either be manually entered or automatically calculated into the system.

3. A higher education institution hires an employee who is anticipated to work as a financial aid counselor for 130 hrs/mo for the next 12 months.

    Calculation: Step 1: 12 mo x 130 hrs/mo = 1560 hrs

    Step 2: 1560 hrs divided by 12 mo = 130 avg hrs/mo

    Result: Code Y2 – Employer would enter the code on the worksheet; depending on the payroll system, the code will either be manually entered or automatically calculated into the system.

4. A higher education institution hires an employee who is anticipated to work as a part-time instructor for only winter quarter. The employee is anticipated to work 67% of full-time work load (full time equivalent work load is 2080 hrs/year or 173.33 hrs/mo). Because under the ACA regulations the employer cannot take into account the likelihood the employee will terminate after winter quarter, the employer <u>must</u> anticipate the employee will work 67% of full time work load over the next 12 months.

    Calculation: Step 1: 2080 x 67% = 1393.60 hrs

                         Step 2: 1393.60 hrs divided by 12 mo = 116.13 avg hrs/mo

    Result: Code N2 – Employer would enter the code on the worksheet; depending on the payroll system, the code will either be manually entered or automatically calculated into the system.

5. A higher education institution hires an employee who is anticipated to work as a part-time instructor for winter, spring, summer, and fall quarters. The employee is anticipated to work 33% of full-time work load for each quarter (full time equivalent work load is 2080 hrs/year or 173.33 hrs/mo).

    Calculation: Step 1: 2080 x 33% = 686.40 hrs

                         Step 2: 686.40 hrs divided by 12 mo = 57.20 avg hrs/mo

    Result: Code N2 – Employer would enter the code on the worksheet; depending on the payroll system, the code will either be manually entered or automatically calculated into the system.

6. In January, a higher education institution hires an employee who is anticipated to work as a parttime instructor for winter quarter. The employee is anticipated to work 33% of full-time work load for this quarter (full time equivalent work load is 2080 hrs/year or 173.33 hrs/mo). Because under the ACA regulations the employer cannot take into account the likelihood the employee will terminate after winter quarter, the employer <u>must</u> anticipate the employee will work 33% of full time work load over the next 12 months, and assigns Code N2.

    In April, the higher education institution increases the work load of the part-time instructor for spring quarter to a total of 100% of full-time work load. Because under the ACA regulations the employer cannot take into account the likelihood the employee will terminate after spring quarter, the employer <u>must</u> anticipate the employee will work 100% of full time work load over the next 12 months, and assigns Code Y2.

    Result: The employer enters Code N2 for winter quarter (as a new employee) and Code Y2 for spring quarter (as an employee who experienced a change in employment status).

Seasonal Employee

1. An employer hires an employee who is anticipated to work 173.33 hrs/mo for a 5 month season.

Calculation:	Step 1: 5 mos x 173.33 hrs/mo = 866.65 hrs
	Step 2: 7 mos x 0 hrs/mo = 0 hrs
	Step 3: 866.65 hrs + 0 hrs = 866.65 hrs
	Step 4: 866.65 hrs divided by 12 mos = 72.22 avg hrs/mo
Result:	Code N3 – Employer would enter the code on the worksheet; depending on the payroll system, the code will either be manually entered or automatically calculated into the system.

2. An employer hires an employee who is anticipated to inspect fruit 130 hrs/mo for an 8 month season. The employee does not meet the federal definition of a seasonal employee (a season of 6 months or less); the definition of "employee" is appropriate for this employee. Because under the ACA regulations the employer cannot take into account the likelihood the employee will terminate after 8 months, the employer <u>must</u> anticipate the employee will work 130 hrs/mo over the next 12 months.

Calculation:	Step 1: 12 mo x 130 hrs/mo = 1560 hrs
	Step 2: 1560 hrs divided by 12 mo = 130 avg hrs/mo
Result:	Code Y1 – Employer would enter the code on the worksheet; depending on the payroll system, the code will either be manually entered or automatically calculated into the system.

3. Consecutive Seasonal Employment at the Same State Agency:

   Employer "A" hires an employee (appointment #1) who is anticipated to work 173.33 hrs/mo for a 5 month season, and assigns Code N3 as described in "seasonal employee example #1" above.

   After two months of employment, the employee experiences an organizational change and moves to a new position (appointment #2) with employer "A." In the new position, employer "A" anticipates the employee will work an average of 100 hrs/mo for a 6 month season (resulting in 50 hrs/mo over the next 12 month period), and assigns Code N3.

Result:	Employer "A" enters Code N3 for appointment #1 (as a new employee); and, retains Code N3 for appointment #2 (as an employee who experienced a change in employment status).

4. A higher education institution employee (non-faculty) who is anticipated to work 173.33 hrs/mo for a 3 month season.

Calculation:	Step 1: 3 mos x 173.33 hrs/mo = 519.99 hrs
	Step 2: 9 mos x 0 hrs/mo = 0 hrs
	Step 3: 519.99 hrs + 0 hrs = 519.99 hrs
	Step 4: 519.99 hrs divided by 12 mos = 43.33 avg hrs/mo
Result:	Code N3 – Higher education institution employer would enter the code on the worksheet; depending on the payroll system, the code will either be manually entered or automatically calculated into the system.