

Paychex Highlights the Top Five Questions from Business Owners About the Affordable Care Act

ROCHESTER, N.Y.--(BUSINESS WIRE)-- The Affordable Care Act (ACA) has created a number of new requirements that have raised questions for many small business owners about the impact to them, their business, and the steps they need to take to prepare. Paychex, Inc., a leading provider of payroll, human resource, insurance and benefits outsourcing solutions for small- to medium-sized businesses, has been helping employers answer these questions and prepare for the changes. Through this process, Paychex has identified the top five questions from business owners and the answers to each.

“Businesses across the country have been working diligently to understand the new requirements of health care reform and take the necessary steps to prepare,” said Paychex CEO Martin Mucci. “Along with major changes come serious questions, and that’s where we come in. Our products and people are helping businesses understand what the changes mean and what they need to do to comply with the new law.”

Following are the top five questions from business owners and the responses from Paychex:

1. If a business is part of a controlled group, how is it impacted by the Employer Shared Responsibility provisions of the ACA?

All employees for each entity within a controlled group – a combination of two or more corporations under common control – are taken into account when determining if the controlled group is an applicable large employer and therefore subject to the employer shared responsibility (ESR) provisions. There are several types of controlled groups including parent-child, brother-sister, and affiliated service groups, which are created based upon common ownership/control. A group of employers will be treated as a single employer if it fits one of these groups. If the ESR provisions do apply, each company within the controlled group will be looked at individually when calculating what, if any, payments or fees may apply. Employers should consult with their legal or financial advisor to determine if they are in a controlled group.

2. What are the different fees associated with the Affordable Care Act and who is responsible for the fees?

Here are three fees business owners need to be aware of – the Patient Centered Outcomes Research Institutes Fee, the Health Insurance Industry Fee, and the Transitional Reinsurance Fee.

- The Patient Centered Outcomes Research Institute (PCORI) Fee: Effective since 2012 and continuing until 2019, the PCORI fee funds clinical outcomes

effectiveness research. The fee is charged to the health insurer for fully insured health plans and to plan sponsors for self-insured plans.

- The Health Insurance Industry Fee: Effective January 1, 2014, this fee is charged to health insurers to offset the costs associated with the implementation of the ACA.
- The Transitional Reinsurance Fee: Effective January 1, 2014, and applicable until 2016, the Transitional Reinsurance Fee funds non-profit reinsurance entities that assist in financing the cost of high-risk individuals in the marketplace. This fee will be charged to the health insurer and plan sponsor.

For these fees, there is nothing in the ACA or regulations that prevents the insurer or plan sponsor from passing along the fee to the employee. (Read: [“Understanding Health Care Reform Fees and Penalties”](#))

3. How can a plan determine if it meets the minimum value requirement of the ESR provisions?

A plan that covers at least 60 percent of the total allowed cost of benefits provided under the plan is considered to provide minimum value. The U.S. Department of Health and Human Services (HHS) in February 2013 issued a final rule which provided four approaches plans can take to determine if they meet the minimum value requirement. Here are the four approaches:

I. Metal Levels: Any plan in the small group market that meets any of the “metal levels” of coverage (bronze, silver, gold, or platinum) will be considered as providing minimum value.

II. The CMS Minimum Value Calculator: The Centers for Medicare and Medicaid Services (CMS) developed a calculator that can be used to determine a plan’s minimum value. The calculator can be found on this webpage:
<http://www.cms.gov/ccio/resources/regulations-and-guidance/index.html>.

III. Actuarial Certification: Obtain an actuarial certification from a member of the American Academy of Actuaries.

IV. Plan Coverage Checklists: HHS and the IRS will provide checklists that employers can use to compare their plans’ coverage against. (*Note: these checklists have not yet been published.*) If an employer’s plan is consistent with, or more generous than, one of these checklists, the plan will be treated as providing minimum value.

Applicable large employers who do not provide minimum value health plans may be subject to a potential annualized penalty of \$3,000 per affected employee. (Read: [“Explanation of Adequate and Affordable Coverage”](#))

4. How is the small business tax credit changing for 2014?

For tax years beginning in 2014 or later, the maximum credit will increase to 50 percent of employer contributions to health insurance for small business employers and 35

percent of employer contributions to health insurance for small business tax-exempt employers. To be eligible for the credit, a small employer must pay premiums on behalf of employees enrolled in a qualified health plan offered through a Small Business Health Options Program (SHOP) Marketplace and the credit will only be available for two consecutive taxable years. (Read: [“Federal Online SHOP Enrollment Delayed; Small Business Tax Credit Options Remain”](#))

5. How do the ESR provisions define a full-time employee and full-time equivalent employee?

A full-time employee is defined as someone who is employed an average of at least 30 hours per week or 130 hours in a calendar month. A full-time equivalent employee (FTE) is defined as a combination of employees (each of whom individually is not treated as a full-time employee because he or she is not employed on average at least 30 hours of service per week or 130 hours per month with an employer) who are counted as the equivalent of a full-time employee solely for the purpose of determining whether an employer is an applicable large employer. To calculate the total number of employees in a calendar month, take the total hours worked by full-time equivalent employees during the month (capped at 120 hours for each employee) divided by 120 and add it to the total number of full-time employees.

Paychex professionals in the areas of health insurance, risk, and compliance are keeping a close eye on the implementation of the ACA and will continue helping business owners navigate the changes that come from it.

For more information about the latest provisions of the Affordable Care Act and how Paychex can help, please visit <http://www.paychex.com/health-reform>.

About Paychex

Paychex, Inc. (NASDAQ:PAYX) is a leading provider of payroll, human resource, and benefits outsourcing solutions for small- to medium-sized businesses. The company offers comprehensive payroll services, including payroll processing, payroll tax administration, and employee pay services, including direct deposit, check signing, and Readychex®. Human resource services include 401(k) plan recordkeeping, section 125 plans, a professional employer organization, time and attendance solutions, and other administrative services for business. A variety of business insurance products, including group health and workers' compensation, are made available through Paychex Insurance Agency, Inc. Paychex was founded in 1971. With headquarters in Rochester, New York, the company has more than 100 offices serving approximately 570,000 payroll clients as of May 31, 2013. For more information about Paychex and our products, visit www.paychex.com.

Note: The foregoing is provided for informational purposes only, and is not intended to be tax or legal advice. Consult your licensed attorney, accountant, or other tax professional to discuss your particular facts, circumstances, and how these opportunities might apply to your business.

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