



PPACA and Educational Employers

Which Employees Qualify for Coverage?

Summary

Because school districts employ a wide variety of workers including substitute teachers, bus drivers, aides, non-teaching coaches and facility staff, educational employers are unsure which employees qualify for coverage under the Patient Protection and Affordable Care Act (PPACA). The primary challenge is two-fold: first, school districts must decide if they meet the PPACA's "large employer" criteria—making them subject to its provisions—and second, they must determine which employees are considered full-time and must be offered coverage. This paper examines the determination processes for each of the four designated employee types and demonstrates how a time and attendance system can ease the administrative burden of PPACA compliance facing educational employers today.

Education Employers Ask Who Will Qualify for Coverage

A survey by the U.S. Department of Education reports U.S. teachers take an average of 9.4 days off during a typical 180-day school year. This means school districts are hiring substitute teachers to fill in more than five percent of the school year.¹ But as districts prepare their compliance strategies for the Patient Protection and Affordable Care Act (PPACA), administrators are left wondering if they will be responsible for offering health care coverage to substitute teachers.

Unlike other organizations, school districts hire a wide variety of employees, from regular teachers and staff to substitute teachers, bus drivers, personal aides, and foodservice and janitorial staff. So, will the PPACA require districts to offer coverage to any employee who qualifies as full-time? Potentially, yes. And districts that opt not to offer coverage can face penalties of up to \$2,000 per employee. But the first step is determining if the school district is even subject to PPACA provisions.

Is Your District a “Large Employer”?

Only districts that meet the definition of a “large employer” are subject to PPACA mandates (and penalties). Large employers are defined as those that employ at least 50 full-time—or full-time equivalent—employees during business days on the previous calendar year.²

Under PPACA, a full-time employee is defined as one that works at least 30 hours per week or provides 130 total hours of service in a given month.² Hours of service not only include hours worked but hours for which the employee is entitled to be paid such as vacation, holiday time, sick or disability leave, jury duty, military duty and leave of absence.^{4,5}

Full-time equivalents, or FTEs, are calculated by dividing the aggregate service hours of all part-time employees in a given month by 120, resulting in the number of FTEs the district employs.⁶ If the combined number of full-time employees and FTEs equals 50 or more, a district is considered a “large employer” and must meet PPACA obligations.

Full-Time Calculations: Special Considerations

Non-Teaching, Non-Hourly Employees

If a district has employees who are not paid hourly and are not required to keep a timecard, it may struggle to determine if they qualify as full-time. (A common example may be a non-teaching coach that receives a stipend.) Districts can choose from three methods to determine the employee’s status:

- Assume the employee works eight hours each day he or she works.
- Assume the employee works 40 hours during each week he or she works.
- Record and count the employee’s actual hours.⁷

Although it places administrative responsibility on the employee and the district, the third option most accurately reflects the employee’s service hours and thus most accurately reflects whether the employee qualifies as full-time under PPACA.



Summer Breaks and Unpaid Leave

Another concern (especially of employees) is whether summer break will disqualify otherwise full-time employees from coverage eligibility. When determining full-time status, educational employers are required to exclude breaks in employment lasting at least four consecutive weeks. Or districts can opt to credit the average weekly hours the employee previously worked to the non-working weeks up to 501 hours. This ensures employees working at least 30 hours per week during the school session will qualify as full-time under PPACA.

Unpaid leave such as FMLA (Family Medical Leave Act), military leave or jury duty must also be excluded from full-time calculations. Alternately, average weekly hours previously worked can be credited during unpaid leave times, but unlike summer break, there is no limit to the number of hours that can be credited.⁸

The Determination Process

How, exactly, should a district go about determining which employees qualify as full-time? The Internal Revenue Service (IRS) issued guidelines for PPACA-compliant determination processes employers can follow to determine the employment status of staff members. Although a determination process will vary according to employee type, it typically includes three periods: a measurement period, an administrative period and a stability period.

A **measurement period** is an employer-designated period of time used to determine whether an employee is considered full-time (that is, works an average of at least 30 hours per week or 130 hours per month). There are two types of measurement periods:

- A **standard measurement period**, defined as a “look-back” period of time from three to twelve consecutive months used to assess the full-time status of ongoing employees.
- An **initial measurement period**, which is a period of three to twelve consecutive months used to determine full-time status of new variable-hour and seasonal employees.

The **administrative period** is an optional period employers can take to allow time to notify and enroll eligible employees for coverage. Administrative periods begin at the end of the measurement period and may last up to 90 days. However, the administrative period cannot reduce or lengthen either the measurement period or the stability period.

A **stability period** immediately follows the administrative period (or measurement period if an administrative period is not invoked) during which the employee is treated as a full-time or non-full-time worker according to the findings during the measurement period. The stability period is at least six consecutive months and no shorter than the duration of the measurement period.⁹



Transition Relief in 2014

In August 2013, the IRS announced it would grant applicable large employers (and other providers of minimum essential coverage) a penalty-free grace period during 2014 during which they are encouraged to “voluntarily comply” with information reporting provisions and health coverage obligations, although accompanying penalties will not go into effect until 2015.¹⁰ This gives districts the ability to use time records from 2014 in their determination process.

Types of Workers: Ongoing, New, Variable-Hour and Seasonal

As the above guidelines make apparent, the determination process varies according to the employee type. The IRS designates four distinct employee types:

- **Ongoing employees** – Workers currently employed by an organization for at least one complete standard measurement period.
- **New employees** – Workers newly hired by an organization.
- **New variable-hour employees** – Employees for which it cannot be determined that they are “reasonably expected” to work an average of 30 hours per week. In many cases, substitute teachers fall into this category along with bus drivers and personal aides.¹¹
- **New seasonal employees** – Workers that perform services on a seasonal basis (such as retail workers employed only during the holiday season or, including but not limited to, workers covered by the Migrant and Seasonal Agricultural Worker Protection Act 29 CFR 500.20(s)(1)).

Establishing the Determination Process by Employee Type

The IRS outlines a determination process with different measurement, administrative and stability period criteria for each of the four employee types:

Ongoing Employee	
Measurement period	“Standard measurement period” of between three to twelve consecutive months to determine if employees meet full-time criteria.
Administrative period	An optional administrative period of up to 90 days following the measurement period to allow employers to notify and enroll qualified employees for coverage.
Stability period	Once a worker’s full-time (or non-full-time) status is determined, he/she is treated as such for a “stability period” equal to the duration of the measurement period or at least six consecutive months following the measurement period.



New Employee – Full-time Hire

If a new employee is hired for full-time work, an employer must offer health coverage before the conclusion of the employee’s first three months of employment to avoid a penalty payment. Once a new employee has completed the employer’s standard measurement period, the employer must determine the new employee’s full-time status under the same measurement, administrative and stability periods as its ongoing employees.

New Employee – Variable-hour or Seasonal

Measurement period	An “initial measurement period” designated by the employer of three to twelve months from employee’s start date to determine if the employee qualifies as full-time.
Administrative period	A period of up to 90 days prior to the stability period; it cannot extend beyond the last day of the first calendar month beginning on or after the one-year anniversary of the employee’s start date.
Stability period	Must be the same length as the stability period an employer designates for ongoing employees.

Because most districts employ workers in several employee categories, it is possible they will need to establish multiple determination processes. The good news is that with the help of a trustworthy time and attendance system to record, calculate and assess employee hours, the administrative burden of the determination process can be significantly reduced.

Automating Compliance with Time and Attendance

Beginning in 2015, employers are required to report the full-time status of each employee to the IRS. That means a district that chooses a 12-month measurement period will rely on 2014 time records to make an accurate determination. The best way to capture accurate time histories is by employing a reliable time and attendance system.

The right time and attendance system provides a district with accurate hourly calculations to determine the appropriate status of employees, as well as providing other benefits such as reducing administrative costs and managing scheduling.

To best assist with the determination process, an ideal time and attendance system will offer:

- Automatic FTE and average weekly hour calculations
- Tools and reports to streamline scheduling for more effective part-time employee management
- Screens for reviewing employee status



- Budgeting for scheduled and actual hours
- Web access, giving administrators 24/7 access to reports and tools
- Dashboard interface for managers with status alerts
- Employee self-service, allowing employees to directly capture hours worked for accurate time reporting
- Built-in reporting functionality to run custom or pre-designed determination process reports, providing a valuable paper trail of the district's determination efforts

With these key features, school districts can execute an effective determination process and make accurate decisions about employee status while minimizing the administrative burden of PPACA compliance.

Time and Attendance: Why It Matters

PPACA regulations have increased the need for time and attendance oversight in every organization and will be one of the biggest challenges facing school districts. Bill Frichter, superintendent of Teutopolis Board of Education in Effingham County, Illinois, noted, “[Employees] will have to start recording all their schedules. That will create more work for office staffs.”¹²

Specifically, watertight recordkeeping and accurate assessment is critical to PPACA compliance, requiring educational employers to prepare now with an effective time and attendance system. The right time and attendance system is vital to providing ongoing proof of an employee's status and minimizing administrative time and costs, and easing the health care reform transition.

This document simplifies a complex Act as it is understood by Attendance on Demand, Inc. It is not to be taken as legal advice. For further information about PPACA compliance, please contact the Internal Revenue Service at www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions or U.S. Department of Labor at www.dol.gov or 1-866-4-USA-DOL.



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