

## **Background**

Under the [Employer Shared Responsibility Provisions of the Affordable Care Act \(ACA\)](#), Applicable Large Employers (ALEs) must offer health coverage to all full-time employees (and their dependents) as defined by the IRS or be exposed to possible penalties. In order to avoid potential penalties, that health coverage must be affordable and meet minimum value.

The IRS has provided employers with two different methods for determining if an employee should be designated full-time under the ACA and an offer of medical coverage would be required: **Monthly Measurement Method** and **Lookback Measurement Method**

### **Full-time vs. Part-time as defined by the IRS**

- **Full-time Employee:** an employee who is expected to work on average at least 30 hours of service per week or at least 130 hours per month.
- **Part-time (variable hour) Employee:** an employee who is not *reasonably* expected to average at least 30 hours of service per week.

## **The Basics**

**Monthly Measurement Method:** this method is often used for organizations whose workforce is primarily full-time with a limited number of part-times employees. This method is not based on averaging hours of service over a prior period but involves a month-to-month analysis for each calendar month. Employee status is based on whether he or she averaged a minimum of 130 hours of service a month.

**Lookback Measurement Method:** under this method, an employer looks back over a defined period (known as the measurement or "lookback" period) to determine if the employee averaged at least 30 hours of service per week. This method is intended to give employers flexible and workable options and greater predictability for determining full-time employee status. The Lookback Method is comprised of:

- A Measurement Period for counting hours of service;
- An Administrative Period that allows time;
- A Stability Period when coverage may need to be provided.

**The Regulations define an hour of service to mean:** Each hour for which an employee is paid, or entitled to payment, for the performance of duties for the employer, and each hour for which an employee is paid, or entitled to payment by the employer for a period of time during which no duties are performed due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence

The material will focus on the **Lookback Measurement Method** which typically works best for organizations with a higher volume of part-time (variable hour) employees. It does not address the important first step of how to determine which Measurement Method to use.

## How-to Guide on the Lookback Measurement Method

*This How-to Guide focuses on the Lookback Measurement method only*

There are two types of Lookback Measurement Periods: **Initial Measurement Period** and **Standard Measurement Period**

The **Initial Measurement Period** is used for new hires, or employees newly classified as variable hour employees in their first measurement period. The **Standard Measurement Period** is used for ongoing employees, once they have been employed for a full measurement period.

Both Lookback Measurement Types are comprised of:

- A Measurement Period;
- An Administrative Period and;
- A Stability Period.

During the **Measurement Period**, the employer tracks employees' hours of service. During the **Administrative Period**, the employer determines who was full-time, notifies them and offers coverage. During the **Stability Period**, the employer should offer coverage to employees who were full-time during the Measurement Period.




## Terminology Overview

- **Measurement Period:** The period to look back at hours worked over the course of at least 3 months but no longer than 12 months to determine if an employee averaged at least 30 hours per week.
- **Administrative Period:** The period during which an employer can gather and analyze data to determine which employees are full-time, notify of eligibility, and enroll eligible employees.

***Note:** The administrative period also includes the period of time between the hire date and the start of the measurement period as well as the time between the end of the measurement period and the date coverage is made available. The total number of days cannot exceed 90.*

- **Stability Period:** A designated period of not less than 6 months and no more than 12 months (and equal to the corresponding measurement period) during which the employer must offer medical coverage to individuals identified as full-time during the preceding measurement period, regardless of hours worked during the stability period.

 **Note:** employers who fail to offer coverage to employees who were full-time during the Measurement Period may be exposed to potential penalties under the Employer Shared Responsibility Penalties (under Code section 4980H(a) or (b)).

**Initial Measurement Period Example:**

2018												2019												2020							
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr				
Initial Measurement Period (IMP) for New Hire: Starts DOH: 3/15/18												End: 3/14/19																			
												Admin Period: 3/15 - 4/13/19																			
												Initial Stability Period: 05/01/2019 to												4/30/2020							

**Initial Measurement Period:**

The initial measurement period is used for new hires, or employees newly classified as variable hour employees in their first measurement period, to look back at hours worked over a designated period of time. The start date of each new employee’s Initial Measurement Period is based upon the new employee’s hire date. It does not start on the same date as the Standard Measurement Period.

**Initial Administrative Period**

The purpose of the initial administrative period is to allow employers time to total and average the hours of service of each employee during the Initial Measurement Period, notify eligible employees and enroll employees who elect coverage.

**Initial Stability Period**

The period in which the employer must offer coverage to all newly-hired employees who worked on average at least 30 hours of service per week (or 130 hours per month) during the initial measurement period regardless of the hours actually work during the stability period (unless they cease to be employed by the employer).

**Standard Measurement Period Example:**

2018												2019												2020											
Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec								
Standard Measurement Period (SMP): Starts DOH: 10/1/2018 to												9/30/2019																							
												Admin Period: 10/1 - 11/30/19																							
												Standard Stability Period: 12/01/2019 to												11/30/2020											

**Standard Measurement Period:**

The period to look back at hours worked over the course of at least 3 months but no longer than 12 months to determine if an employee averaged at least 30 hours of service per week or 130 hours per month. The employer selects the start date as well as the duration of the Standard Measurement Period.

**Standard Administrative Period:**

The purpose of the Standard Administrative Period is to allow employers time to total and average the hours of service of each employee during the Standard Measurement Period, notify eligible employees and enroll employees who elect coverage.

**Standard Stability Period:**

Employees who worked on average at least 30 hours of service per week or at least 130 hours per month during the Measurement Period (i.e., were full time) should be offered health coverage for the entire Standard Stability Period regardless of the hours actually work during the Standard Stability Period (unless they cease to be employed by the employer).

To maintain ACA Compliance, the ability to monitor Part-time (variable hour) employees within the Selerix system is included as part of the ACA Service. The Selerix **ACA Lookback Report** allows employers to proactively monitor and measure hours of service in accordance with the Employer mandate. To capture the hours required for this process, an ongoing **Pay History (hours) file** is mandatory.

## Pay History (hours) File

The **Pay History (hours) file** is used to capture hours of service by pay period for PT (variable hour), seasonal and/or temporary employees. Hours are used in conjunction with the ACA Lookback Report to calculate the “average number of hours” worked during the employers designated measurement period. Hours are maintained on the Pay History tab of the employees record in the system and used to determine if an employee would be designated as full-time as a result of meeting the hours threshold (30 hrs per week on average) as defined by the IRS.

Alexander, Ellen, EID: 81024, SSN: \*\*\*-\*\*-1023 Search for employee

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Filter

	Payroll Date	Check Number	From	To	Payroll Code	Regular Hours	PTO Hours	Overtime Hours	Holiday Hours	Qualified Leave Hours	Type	
▶	08/10/2019	999254	07/20/2019	08/03/2019	N/A	64	0	0	0	0	Hourly	✂ ✕
▶	08/10/2019	999254	07/20/2019	08/03/2019	PT31055	64	0	0	0	0	Hourly	✂ ✕
▶	07/26/2019	999230	07/05/2019	07/19/2019	N/A	64	0	0	0	0	Hourly	✂ ✕
▶	07/26/2019	999230	07/05/2019	07/19/2019	PT31055	64	0	0	0	0	Hourly	✂ ✕
▶	07/11/2019	999206	06/20/2019	07/04/2019	N/A	64	0	0	0	0	Hourly	✂ ✕
▶	07/11/2019	999206	06/20/2019	07/04/2019	PT31055	64	0	0	0	0	Hourly	✂ ✕
▶	06/26/2019	999182	06/05/2019	06/19/2019	N/A	64	0	0	0	0	Hourly	✂ ✕
▶	06/26/2019	999182	06/05/2019	06/19/2019	PT31055	64	0	0	0	0	Hourly	✂ ✕
▶	06/11/2019	999158	05/21/2019	06/04/2019	N/A	64	0	0	0	0	Hourly	✂ ✕
▶	06/11/2019	999158	05/21/2019	06/04/2019	PT31055	64	0	0	0	0	Hourly	✂ ✕
▶	05/27/2019	999134	05/06/2019	05/20/2019	N/A	64	0	0	0	0	Hourly	✂ ✕
▶	05/27/2019	999134	05/06/2019	05/20/2019	PT31055	64	0	0	0	0	Hourly	✂ ✕
▶	05/12/2019	999110	04/21/2019	05/05/2019	N/A	64	0	0	0	0	Hourly	✂ ✕

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**ACA Lookback Report:** is designed to assist employers in the measurement and analysis of hours for their PT (variable hour) employees. The report relies on Pay History hours that are loaded by pay period for employees.

The features and functionality of the ACA Lookback Report allows employers to:

- ✓ Forecast and monitor variable hour trends and eligibility,
- ✓ Identify eligibility changes with at-a-glance report features,
- ✓ Help identify variable hour employees that indicate a break in service or if no break in service is found, and
- ✓ Save time and resources with the “Selerix One-Step” solution for pre-populating eligibility changes