Should Companies Play or Pay on Affordable Care Act?

Publication
4.02.13

November's presidential election made it clear that the Affordable Care Act would, indeed, be the law of the land. Early the day after the election, phones at our law office started ringing. The question on callers' minds: Should my company "play" by providing employees "affordable" health insurance coverage, or should we pay the penalty of $2,000 per employee per year beginning in 2014?

For companies with more than 50 employees, if the penalty is less costly, paying the fine and turning employees over to the state or federal exchange for health benefits might seem the obvious choice.

But it isn't quite that simple. The actual penalty cost may be higher than it appears. For example, penalty payments aren't tax deductible, whereas the cost of providing benefits is. It's also possible that the penalty amount could increase over time.

Other issues affect the decision, too. Many employers have previously not offered health benefits to part-time workers, which many companies define as those who work 35 or fewer hours per week. The law's threshold, however, is 30 hours a week. That puts employers in the position of having to decide whether to cut part-time workers back to less than 30 hours a week, offer coverage, or pay the penalty, which applies to every "full-time-equivalent" employee, excluding the first 30. Further complicating the issue is that the law may consider two part-time employees as one full-time worker.

There is no one-size-fits-all answer to whether a company should pay or play under the law, and cost shouldn't be the sole deciding factor. Each company also should weigh its culture and competitiveness options before making a decision.

This article appeared in the April 2, 2013 edition of *The Kansas City Star*.

Related People

Copyright © 2024 Fisher Phillips LLP. All Rights Reserved.

James R. Holland, II
Regional Managing Partner
816.842.8770
Email

Copyright © 2024 Fisher Phillips LLP. All Rights Reserved.