

Health Care Reform Update: Employer Mandate Delayed to 2016 for Medium-Sized Employers

The U.S. Treasury Department has postponed until January 2016 enforcement of the Affordable Care Act's (ACA's) Employer Shared Responsibility Rule—commonly known as the Employer Mandate—for employers with 50-99 full-time equivalent employees (i.e., “medium-sized employers”).

Under the ACA, employers with fewer than 50 full-time equivalent employees (i.e., “small employers”)—including most local churches—are exempt from the Employer Mandate. The ACA defines “full-time” as an average 30-hour work week.

This change essentially delays the Employer Mandate rules for most employers in The United Methodist Church, with the exception of some universities, hospitals, general agencies and very large churches with day-care centers and similar facilities.

Qualifying for the Medium-Sized Employer Transition Relief

Medium-sized employers (i.e., those with 50-99 full-time equivalent employees) will need to certify eligibility for this transition relief (the delay until 2016). This certification will likely occur late in 2015 or early 2016 through the new reporting requirements that apply to employers with 50 or more full-time equivalent employees under the ACA. In addition, medium-sized employers must meet other requirements to qualify for this delay, including not reducing the employer's workforce to qualify for transition relief and maintaining previously offered health coverage.

The Treasury Department is expected to publish additional rules regarding the reporting requirements for medium-sized and large employers soon.

Phased Enforcement for Large Employers

The Treasury Department also relaxed January 2015 enforcement of the Employer Mandate for “large employers” (i.e., employers with 100 or more full-time equivalent employees) by implementing a phased timeline for 2015. Employers with at least 100 full-time equivalent employees will be required to offer health coverage to 70 percent of their full-time employees in 2015 and then 95 percent in 2016—or else pay penalties.

Clergy Employer—Still Not Certain

Disappointingly, the latest government ruling did not clarify further whether the local church or annual conference is considered the clergyperson's “employer” within The United Methodist Church for purposes of the ACA's Employer Mandate. The Internal Revenue Service (IRS) reserved (held blank for future additional guidance) a section of the final regulations that describes how “churches and conventions and associations of churches” (e.g., annual conferences and denominations) determine their “applicable large employer” status under the Employer Mandate. In addition, the IRS stated, “Until further guidance is issued, [churches and conventions and associations of churches] may apply **a reasonable, good faith interpretation of section 414(b), (c), (m) and (o) [of the Internal Revenue Code] in determining their status as an applicable large employer.**” The General Board believes that a reasonable, good faith assessment of the common law standard of employment suggests that most UMC clergy are “employees” of their local church for health plan purposes and the ACA's Employer Mandate. However, the General Board will continue to advocate for greater clarity from the IRS and Treasury Department on that important concern.

More Details Soon