



PPACA Hourly Threshold

Strategies for Managing Coverage Eligibility of Part-Time Workers in Retail, Hospitality and Health Care

Summary

Service industries such as retail, hospitality and health care that employ large part-time and low-wage populations are likely to experience increased financial impact when the Patient Protection and Affordable Care Act (PPACA) goes into full effect in 2015. Consequently, employers in these industries are looking to manage worker eligibility with strategies that reduce the number of employees that meet PPACA's "hourly threshold" of 30 or more hours per week in a given month. This is a viable strategy for mitigating coverage costs but one that demands an airtight time and attendance process to ensure the organization is meeting its Shared Responsibility obligations.

The Canary in the Coal Mine—Gauging the Financial Impact of PPACA on Retail, Hospitality and Health Care

It's been widely acknowledged that service industries including retail, hospitality and health care that employ large part-time and low-wage populations are likely to see significant increases in health care costs next year due to the Patient Protection and Affordable Care Act (PPACA).¹

In a 2012 survey conducted by Mercer, 46 percent of surveyed service industry employers and 40 percent of health care employers expect PPACA to increase costs by at least 3 percent in 2014. According to Mercer's Sharon Cunninghis, health care costs have already risen at twice the rate of general inflation; tacking on another three percent or more will make employee health care even more difficult for these employers to manage.²

In fact, retail and hospitality are expected to be so significantly impacted by PPACA that Neil Trautwein, vice president of the Employee Benefits Policy Counsel at the National Retail Federation in Washington, noted that these industries serve as "the canary in the coal mine" for determining the financial impact of PPACA.³

Issues Facing Part-Time and Low-Wage Employers

Employers with large part-time worker populations will be challenged primarily by the PPACA's "hourly threshold," the criteria that defines full-time as working 30 or more hours per week in any given month (see Note, page 3). Since full-time has traditionally been defined as 40 or more hours per week, many part-time employees' schedules hover just below 40 hours, but under PPACA, these workers would qualify for employer-sponsored health coverage.

Low-wage employers face an additional issue. Low-wage workers (like those in large retail, wholesale and health care jobs) are also more likely to have opted out of coverage as compared to workers in higher paying industries. For instance, 19 percent of low-wage retail/wholesale workers and 18 percent of low-wage health care workers opted out of coverage versus 8 percent in higher paying industries such as transportation. This means that as PPACA's individual coverage mandate (which states that individuals who can afford coverage must obtain it or pay a penalty) goes into effect, employers will likely see a significant jump in coverage enrollment.⁴

Workforce Management as Key Strategy to Lower Coverage Costs

It stands to reason that retail, hospitality and health care employers will be seeking ways to limit coverage eligibility of their part-time workforce. In fact, the Mercer survey revealed that 51 percent of employers not currently offering benefits to employees working 30 or more hours per week said they would be adopting workforce strategies that help keep workers' hours under the hourly threshold.⁵

Interestingly, a workforce management strategy is identified as one of the top overlooked issues in the current discussion of health care reform.⁶ As it happens, the solution is just as often overlooked.



Note

Employers needing to determine if workers qualify as full-time under PPACA should follow the “safe harbor” determination process outlined by the IRS. This method is made up of three periods:

- **Measurement period:** An employer-designated period of time used to determine if an employee is considered full-time (that is, works an average of 30 or more hours per week or 130 hours or more per month).
- **Administrative period:** An optional period employers can take to allow time to notify and enroll eligible employees for coverage.
- **Stability period:** This period follows the administrative period (or the measurement period if an employer waives the administrative period) during which the employee is treated as a full-time or part-time worker according to the findings during the measurement period.

All employers need to clearly document their determination process and be able to present, report and support its findings for compliance purposes.

For a more in-depth look at the Safe Harbor determination process, download *PPACA Shared Responsibility: Ensuring Healthcare Reform Compliance* at <http://attendanceondemand.com/resources/whitepapers/PPACASharedResponsibility.pdf>

Driving Workforce Management with a Time and Attendance System

Organizations searching for strategies that reduce coverage costs for part-time workers need to employ a time and attendance system that supports effective scheduling and PPACA compliance.

“Regardless of their strategy,” writes Tracy Watts, Mercer’s health care reform leader, “Employers will have to rigorously track their employees’ hours, relying on solid databases to document those hours. The data will be critical to prove what they may or may not owe in Shared Responsibility penalties based on IRS data calculations.”⁷

The biggest concern surrounding workforce management strategies designed to limit employee hours is doing so to the extent that it shortchanges the organization’s productivity. This is where a time and attendance system, a tool normally employed for simply capturing hours and processing payroll, is critical to success. A timekeeping system with both workforce management and PPACA-related features will help organizations optimize workforce efficiency while actively managing coverage eligibility.



Workforce Management Features

An effective time and attendance system will have several workforce management features including:

- **Scheduling** – Accurate and easy scheduling is the cornerstone of effective workforce management. The scheduling functionality should offer the ability to create, view or change an employee's schedule in advance, create or change an employee's schedule directly on a timecard, view schedules for a group of employees during a specified time period, and create weekly or biweekly schedules that repeat without intervention.
- **Calendar dashboard** – Viewable by supervisors, a calendar dashboard provides a snapshot of schedules and shifts allowing supervisors to check that their workforce management strategy is delivering adequate labor coverage.
- **Drill-down summary sheets** – Summary sheets that provide an overview of hours worked for an individual employee or entire workgroup help supervisors keep schedules below the 30-hour-per-week threshold.
- **Reporting** – Systems with predetermined and customized reporting provide the ability to run reports with real-time data to identify which employees are currently meeting (and which are on schedule to meet) the eligibility threshold so that strategies to reduce hours can be employed.

PPACA-focused Features

The best way to ensure PPACA compliance is to employ a time and attendance system with features specifically designed to address PPACA obligations, such as:

- **PPACA selection periods** – Configurable time periods with assignable PPACA categorizations allow employers to preset their system to automate the tracking and reporting of hours during each period.
- **Employee average weekly and monthly hours** – Organizations looking to actively manage employee hours will benefit from a summary of average weekly or monthly service hours for the selected time period.
- **Service hour designations** – According to PPACA, service hours include both worked time and paid non-work time such as vacation, holiday time, sick time, etc. Systems built with these pay designations make assigning and calculating hours more straightforward.

Conclusion

As PPACA takes full effect, managing employee hours will become an increasingly important goal for every organization struggling to manage health care costs, including those in the retail, hospitality and health care industries. Effective scheduling will help organizations optimize their workforce while reducing the number of employees that meet the PPACA's eligibility threshold. This can only be done with a trustworthy time and attendance system featuring both workforce management and PPACA-related features, helping organizations maintain their productivity and meet their PPACA obligations responsibly.



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 U.S. Department of Labor at www.dol.gov or 1-866-4-USA-DOL.

References

- ¹ “Uneven Impact of PPACA Seen.” Employee Benefits News. 9 Aug 2012. Web. Accessed 20 Apr 2013. <http://www.hreonline.com/HRE/view/story.jhtml?id=533350542&ss=the+price+for+Retail+and>
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- ³ McIlvaine, Andrew R. “The Price for Retail and Hospitality.” Human Resources Executive Online. 10 Sep 2012. Web. Accessed 20 Apr 2012. <http://www.hreonline.com/HRE/view/story.jhtml?id=533350542>
- ⁴ “Uneven Impact of PPACA Seen.”
- ⁵ Watts, Tracy and Eric Grossman. “Five Key Healthcare-Reform Considerations for HR.” Human Resources Executive Online. 6 Mar 2013. Web. Accessed 29 Apr 2013. <http://www.hreonline.com/HRE/browse/Search%20Results.jhtml?ss=five+key+healthcare>
- ⁶ Ibid.
- ⁷ Watts, Tracy. “Five Key Healthcare-Reform Considerations.”

About Attendance on Demand, Inc.

Attendance on Demand employee time and attendance service supports the labor management needs of thousands of companies and more than a half million employees across North America. Launched in 2006, Attendance on Demand is a rapidly deployed, cloud-based solution that minimizes a company’s risk and technology investment while providing advanced features for securely managing labor data—calculating pay rules, scheduling employees, budgeting labor, and automating record keeping for labor law compliance. With standard uptime over the industry average of 99.995% and above average customer retention rates, Attendance on Demand removes the worry of maintaining expensive infrastructure. An extensive North American distribution network helps organizations use Attendance on Demand to reduce labor expenses and improve decision making.



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