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The Center for Association Leadership

The Association ACA Primer: The Employer Mandate

Employer Mandate/Shared Responsibility
Beginning in 2014, the Affordable Care Act requires large employers (businesses with 50 or more full-time employees or full-time equivalents) to pay a “shared responsibility” fee if they do not provide health insurance and an employee of that organization uses federally-subsidized tax credits to help purchase insurance through an Exchange.

The fee for large employers who do not offer any coverage is $2,000 per employee, minus the first 30. For example, a business with 50 employees, at least one of whom takes advantage of tax credits to buy insurance through an Exchange, would pay $40,000 ($2,000 x 20 employees).

If a large employer does offer insurance and at least one employee takes the subsidy to get their own insurance through an Exchange, the company will pay $3,000 per subsidized employee or $2,000 per employee (minus the first 30), whichever is less. So a company with 50 employees that provides insurance but has three subsidized employees getting insurance through an Exchange would pay a $9,000 fee. If they have 14 or more subsidized employees, the penalty for the same 50-person company would be $40,000.

Small Business Health Care Affordability Tax Credits
Companies with fewer than 50 employees are exempted from the employer mandate/shared responsibility requirements.

Additionally, the administration has estimated that as many as 4 million small businesses nationwide could qualify for a small business tax credit if they choose to provide health insurance to their employees. Small employers with fewer than 25 full-time equivalent employees and average annual wages of less than $50,000 that contribute at least 50 percent of the total cost of health insurance for their employees are eligible for the tax credit.

Through 2013, eligible employers will receive a tax credit for up to 35 percent of their contribution toward each employee’s health insurance premium. Associations and other tax-exempt organizations meeting the eligibility requirements above can receive tax credits of up to 25 percent of their contribution.

For 2014 and beyond, small employers who purchase insurance through an Exchange can receive a tax credit for two years of up to 50 percent of their contribution toward employees’ insurance premium. Tax-exempt organizations that are eligible can receive tax credits of up to 35 percent of their contribution.

Other Changes for Employers

- Starting in 2014, insurers won’t be allowed to charge more based on the health status of your employees or the gender of your employees. There will also be limits on how much premiums can vary based on age.
- Beginning in 2013, there is a $2,500 limit on salary deferral contributions to Flexible Spending Accounts (FSAs).

- Employer-based plans that provide health insurance to retirees aged 55-64 can apply for financial help through the Early Retiree Reinsurance Program. Employers with self-funded and insured plans can apply, including private companies, State and local governments, non-profits, religious organizations, as well as unions operating employee benefit plans. Employers and unions that are accepted into the program will receive reinsurance payments for health benefit claims for retirees age 55 and older who are not yet eligible for Medicare. The amount of the reimbursement to the employer or union is 80 percent of medical claims costs for the health benefits of an individual between $15,000 and $90,000.