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## Don't Forget About the Affordable Care Act! An important reminder when determining health plan eligibility after a reduction of hours or during a leave of absence

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Employers considering reducing employee work hours or placing employees on unpaid leaves of absence must follow the requirements of the Affordable Care Act when determining whether an employee is full time for the purposes of health care coverage. If an employer is using a look-back measurement method to determine full-time status, then a reduction in hours or leave of absence may not cause employees to lose health care coverage immediately. Instead, employers may be required to continue coverage for those employees for some time.

As we **previously reported**, the decision of whether to reduce employee hours, place employees on leave, or even terminate employees requires a thorough analysis from a benefits perspective. However, employers can easily overlook the requirements of the ACA during this evaluation. Health plans typically require employees to be regularly scheduled to work 30 or more hours per week to be eligible for benefits. To help employers determine whether an employee is full time, the ACA requires that employers establish a method for measuring hours of service. Employers may choose a monthly measurement period (basically, determining full-time status on a monthly basis) or a look-back method.

Under the look-back measurement method, the employer chooses a period of three to twelve months (called a "measurement period") over which the employee's hours are averaged to determine their full-time status. If the employee works 30 hours or more per week on average during the measurement period, then the employee is treated as a full-time employee for the purposes of health care coverage during the following "stability period," even if the employee's hours fluctuate during that time. The stability period is generally the same length of time as the measurement period.

Often, however, the ACA requirements are not explicitly incorporated into the terms of the plan document, and that is why employers need to know whether they have administratively adopted the look-back method of testing



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eligibility. When a health plan provides that an employee must be full time to be covered, employers cannot always assume that a reduction in hours or a leave of absence will immediately result in loss of full-time status under their plan, and, as a result, a loss in coverage. These special ACA rules may require coverage even when an employee is on leave or working reduced hours. Consequently, in either situation, employees may continue to be covered under a health plan because the plan specifically allows coverage in these situations, or because the employees are still considered to be full-time employees under the ACA rules. Of course, there are numerous special rules and exceptions that may apply to this ACA analysis, and employers should consult with their benefits counsel to determine their obligations.

For more information, check out our **Resource Center** for FAQs and updates about the coronavirus.

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