

PARTNER COMPANY NAME/LOGO HERE



ACA-Track™  
**Reference Guide**  
FAQ and Useful Information  
10/15/2015

PARTNER CONTACT INFORMATION

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## Frequently Asked Questions:

### Must we Track Actual Hours Worked?

According to IRS Bulletin 2014-9 released February 24 2014, the answer is yes.

Section 4980H(c)(4)(B) provides that the Secretary of the Treasury, in consultation with the Secretary of Labor, will prescribe such regulations, rules and guidance as may be necessary to determine the hours of service of an employee, including rules for the application of section 4980H to employees who are not compensated on an hourly basis.

**For employees paid on an hourly basis, an employer is required to calculate actual hours of service from records of hours worked and hours for which payment is made or due. For employees paid on a non-hourly basis (such as salaried employees), an employer may 1) calculate the actual hours of service using the same method as for hourly employees, or 2) use a days-worked equivalency crediting the employee with eight hours of service for each day for which the employee would be required to be credited with at least one hour of service, or 3) a weeks-worked equivalency whereby an employee would be credited with 40 hours of service for each week for which the employee would be required to be credited with at least one hour of service. The proposed regulations prohibit use of these equivalencies, however, in circumstances in which their use would result in a substantial understatement of an employee's hours of service in a manner that would cause that employee not to be treated as a full-time employee.**

### Must Employers Recreate Hours Worked When Requested by IRS?

According to Bryan Cave LLP, "As if compliance with the ACA market reforms and complex plan design rules (including an assessment of affordability and minimum value), hasn't caused enough headaches – now you have to prepare to collect and monitor and report detailed information about your compliant offers of coverage? Unfortunately, the answer is 'yes.' Time spent now collecting and monitoring information and making decisions about how an employer plans to report in early 2016 (for the 2015 plan year) will make completion of those yet-to-be-released forms more feasible in the future.

**If the decision is made not to track hours** and, the filing of the Form 1095 report required by Code Section 6056 triggers assessment of a Code Section 4980H (b) penalty (i.e., \$3,000 per employee who receives subsidized exchange coverage) because coverage was not affordable for a certain employee, **"the employer is left to defend against a penalty by proving that the employee in question was not 'full-time.' In that case, the employer will need to retroactively 'recreate' the records and collect and monitor hours for that employee in order to refute a claim that he/she was 'full-time.'"**

ACA-Track™, by capturing timely snapshot, will produce an IRS Audit Report showing all the information required and even more. Such as: 1) measurement period; 2) total reported hours worked, 3) total reported unique days worked; 4) weekly and monthly averages for the measurement period, 5) PLUS a detail report of reported hours worked each day, and 6) any UNPAID LEAVE time effecting the weekly and monthly averages. In addition, this intuitive report highlights days where duplicate time has been captured. Now, you are ready and equipped for the IRS response, and can do so in just a few minutes.

## New Hire Measurement Periods

ACA-Track looks at the hire date, or other appropriate date field as defined in the admin section, when a snapshot is run. If the hire date is greater than the company/district measurement start date, an individual measurement period is set. When the person reaches the end of the individual measurement period, the company measurement period is used and all averages recomputed for the company measurement period when a new snapshot is run.

ACA-Track offers the option of using the actual hire date or use the first day of following month.

The system automatically calculates the weeks and the months between the first day of work (hire date or first day of following month) and the snapshot “as of date” and produces weekly and monthly averages on an individual basis. Whenever the snapshot is run, the averages are correct for each employee regardless of the first day worked method selected. After the individual measurement period expires, the system knows this and automatically recalculates the weekly and monthly averages based on the company measurement period.

## Are the snapshots run in “real time”?

When a new snapshot is created, the request is passed to a background engine for real-time execution. This allows the operator to continue working within ACA-Track (or any application), and uses the server background resources separate from the web front-end. The process will run and when completed, the results are available and shown in the dropdown window.

School District Processing Note: When a new snapshot is created, current data is captured and stored in the ACA-Track data repository, preserving data as it existed at snapshot time. All “time worked” data is retrieved from live files when ACA-Track is opened so any time worked corrections are reflected correctly.

TPA Processing Note: When a new snapshot is created, current HRIS and Payroll data is captured and stored in the ACA-Track data repository, preserving this data as it existed at snapshot time. All “time worked” data is retrieved from live files when ACA-Track is opened so any time worked corrections are reflected correctly.

## Insurance Waivers - How to establish, collect and monitor ACA Health Ins Waivers

Insurance waivers are very important to ACA monitoring because a valid waiver removes the insurance coverage need. Waivers are tracked in two ways within ACA-Track:

- 1) An internal waiver file, generally originating from a governmental agency, can be provided via seamless integration or via data import.
- 2) When waiver information is not available electronically, the Events Tracking system supports collecting and monitoring manually entered waiver information. Required fields are employee ID, event category (waiver), beginning date and waiver expiration date (ending date).

Waiver expiration date is displayed in the “employee detail” grid, and used to generate the proper ACA status for each employee.

### Some Employees do not show up in the grid, why?

There could be several reasons, the mostly of which being:

- A. Employees only show in the detail grid when they have job salary records in the employee's job table. Even if an employee does not get paid until a future date, enter the job record(s) with an appropriate job start and end date.
- B. Employee pay (warrant) records are required for linking to the critical data elements. Employees must have been paid within their measurement period or they will not show in the grid.
- C. The employee and employee job records are captured when the snapshot was created. If the employee information was not in the system when the snapshot is executed, the employee will not show up, even if they are now present.

### Must I run a new snapshot to enter employee time?

The snapshot captures data as it exists when the snapshot is created (not as of date). However the worksheet and employee entered time entries are real time or in other words as of now.

Therefore, time entered by the admin time sheet entry or by the employee can be entered anytime regardless of the latest snapshot.

### If my district uses VeriTime to capture all employee time, how can we eliminate the Munis time?

Munis time is pulled into ACA-Track based upon the Munis calculation codes selected in the Admin section i.e. employees paid hourly for actual time worked (calc code 01 and 04). The ACA-Track admin screen contains a "Calc Codes" tab showing which Munis calculation codes are totaled in the Munis column (magenta). By moving all Munis calc codes to the "exclude" window, no Munis data will be pulled into the grid or used in average calculations.

### What is the quickest way to find employees for whom I should be concerned?

#### Option 1

Step 1 – create a new snapshot with the latest possible "as of" date for which all time is available

Step 2 – When the snapshot is finished, select that snapshot from the Snapshot Summary grid using the blue hyperlink

Step 3 – Right click on the "ACA Status" column header and select "Group By This Column"

Step 4 – Review troublesome ACA Status Codes such as FT wo HI, FT exp Waiver, PT exp Waiver, etc. by expanding the grid to show employees within the group. Then determine why these conditions exist for these employees and correct.

Step 5 – Expand the PT wo HI group, these are variable hour employees without health insurance.

Step 6 – Right click either the Avg (Wk) grid header or the Avg (Mo) grid header, depending upon your district's eligibility criteria, then select Sort Descending. The resulting grid shows

employees with the highest averages at the top. These are the employees to be reviewed and monitored.

### Option 2

If your Watch List is set to show only those for whom you should review:

Step 1 - Click the Enable Watch List button, showing only the ACA Status you have selected

Step 2 – Right Click the ACA Status header and select Sort Ascending

Step 3 – Right click either the Avg (Wk) grid header or the Avg (Mo) grid header, depending upon your district’s eligibility criteria, and select Sort Descending

Step 4 – Review employees within each ACA Status code for issues or eligibility, considering those who need attention or continued review.

### How should Board Members be handled?

There is not one standard answer that addresses every situation nationwide, and for our KY districts, KDE has not issued any directives concerning board members. Whether board members are common law employees is still being debated, without clear IRS direction. So to answer the question “Do I have to track board members?” the answer is a clear “We don’t know.”

Many advisors state, “If you give board members a W2, you must treat them as employees.” Since board members are not full time employees, it would seem we must collect and monitor their hours or treat them as volunteers such as paraprofessional coaches, which does not seem to fit this situation.

Should the IRS audit board member hours, having monitored them at some level would seem prudent.

One safe approach is to ask board members to track their hours and enter into ACA-Track via the manual timesheet entry. Another is to ask them to note days they work on school board business, and then enter the 8 hour equivalency for each day they provide school district service. This approach provides safety for the district, and it makes board members aware of the ACA tracking requirements. Perhaps they will better understand the demand the ACA has placed on local school districts.

### Munis Payroll Hours are not showing on the Employee Audit Report, why?

The Employee audit report is designed to validate actual hours worked. Payroll hours from the Munis payroll files are not reflective of a signed time sheet and are therefore not shown on the employee audit report.

### How do I close the old year and start a new year?

1. First, make certain all information is complete and all time records are in the system
2. Run a year-end snapshot stating in the title this is the year-end version
3. Your old year is complete with data and reporting available for as long as you keep this snapshot
4. Enter the Admin area and select Affordable Care; ACA Settings
5. Select "Configure" tab
6. Update the District Measure Period dates; District Admin Period dates; District Stability Period dates, and update any other data on this page that has changed
7. Review all other data, tab by tab, assuring each is set correctly; remember to "save" where appropriate
8. You are now ready to begin a new year

### How do I respond to an IRS employee audit request or validate an employee's hours worked?

1. First are several ways, but this is the quickest
2. Under the ACA Menu header select "Reporting" and then select "Employee Time Worked Audit Report"
3. Enter the year end snapshot name for the time period in question
4. Type ahead the employee last name and select the correct employee
5. Click Run Report button
6. Review data on the screen for correctness
7. Select Save dropdown in header
8. Select PDF
9. Save the PDF
10. Attach PDF to email or print and include in IRS response letter



### How can I save a copy of a snapshot such as the year-end version?

1. Load the snapshot into the detail grid, making certain all filters are removed
2. Select the Export to Excel button
3. Save the Excel Spreadsheet for future reference

## General Information

### ACA-Track™ ACA Status Code Definition

Each time the detail grid is loaded or the “Reload Grid” button is selected, data is refreshed in the grid and the ACA Status is recomputed.

#### **Employees without Health Insurance**

##### **Avg Wk Hrs Thrh - aka Average Week Hours Threshold**

**Definition:** This employee exceeds the ACA weekly average hours worked threshold amount set in the ACA-Track admin section; therefore at this point in time this employee would qualify for health benefits. This employee should be reviewed.

**ACTION:** Verify the actual hours worked for this employee are correct; specifically make certain there are no duplicate time entries. Double check the leave column to be sure any unpaid scheduled leave (FMLA, Military, Jury) has been processed correctly. This employee should be monitored to ensure employer policy is followed.

##### **Avg Wk Hrs Notify - aka Average Week Hours Notify**

**Definition:** This employee exceeds the Notify weekly average hours worked amount set in the ACA-Track admin section, but has not reached the ACA threshold. This employee should be reviewed

**ACTION:** Verify the actual hours worked for this employee are correct; specifically make certain there are not duplicate time entries. Double check the leave column to be sure any unpaid scheduled leave (FMLA, Military, Jury) has been processed correctly. This employee should be monitored to ensure employer policy is followed.

##### **Avg Mo Hrs Thrh - aka Average Month Hours Threshold**

**Definition:** This employee exceeds the ACA monthly average hours worked amount set in the ACA-Track admin section; therefore at this point in time this employee qualifies for health benefits. This employee should be reviewed.

**ACTION:** Verify the actual hours worked for this employee are correct; specifically make certain there are not duplicate time entries. Double check the leave column to be sure any unpaid scheduled leave (FMLA, Military, Jury) has been processed correctly. This employee should be monitored to ensure employer policy is followed.

##### **Avg Mo Hrs Notify - aka Average Month Hours Notify**

**Definition:** This employee exceeds the Notify monthly average hours worked amount set in the ACA-Track admin section, but has not reached the ACA threshold. This employee should be reviewed.

**ACTION:** Verify the actual hours worked for this employee are correct; specifically make certain there are not duplicate time entries. Double check the leave column to be sure

any unpaid scheduled leave (FMLA, Military, Jury) has been processed correctly. This employee should be monitored to ensure employer policy is followed.

#### **FT exp Waiver - aka Full Time Employee with expired Waiver**

**Definition:** this full time employee does not have active health insurance but has an expired waiver. The indication is this employee does not have health insurance, had a waiver in the past but that waiver is now expired. This employee should be reviewed

**ACTION:** Review the employee's health insurance data and waiver information. Either supply an updated waiver or delete the existing expired waiver from your payroll system or remove it from the ACA-Track Events processing.

#### **PT exp Waiver - aka Part Time Employee with expired Waiver**

**Definition:** this part time employee does not have active health insurance but has an expired waiver. The indication is this employee does not have health insurance, had a waiver in the past but that waiver is now expired. Check to see if the employee has moved from full time status to part time status and the old waiver data was never deleted. This employee should be reviewed.

**ACTION:** Review the employee's health insurance data and waiver information. Either supply an updated waiver or delete the existing expired waiver from your payroll system or remove it from the ACA-Track Events processing.

#### **FT wo HI- aka Full Time Employee without Health Insurance**

**Definition:** This is a full time employee based upon the employment status and they do not have an active health insurance deduction. This is most likely an illogical combination of employee data. This employee should be reviewed.

**ACTION:** Check the employee's payroll status, correcting if wrong, and check that the employee was offered health insurance, if they should have been offered health insurance. There also may be missing waiver data.

#### **PT wo HI - aka Part Time Employee without Health Insurance**

**Definition:** This is a part-time employee based upon the employment status and they do not have an active health insurance deduction. This employee is most likely a variable hour employee (VHE) and the time worked should be monitored. They have not reached the weekly or monthly notify status level which is the most common valid status for VHE.

**ACTION:** Most likely this is a valid status of a part time employee who is not working enough hours to qualify for health insurance. No action is required other than occasional review to see if they are trending toward the ACA threshold level.

### **Yr Days Wrk Thrh – aka Yearly Days Worked Threshold**

**Definition:** This employee exceeds the ACA days worked per year threshold set in the ACA-Track admin section; therefore at this point in time this employee may qualify for health benefits. This status does not apply to every employer. ACA-Track can monitor the unique days worked, and in some occupations such as substitute teachers, once they reach a certain number of days at a certain number of hours per day, they could qualify. This status is offered for our school district clients. This employee should be reviewed.

**ACTION:** Review the number of days worked, the average hours per week and average hours per month to determine if this employee is trending toward the ACA hours worked threshold. Then take appropriate action.

### **Yr Days Wrk Notify – aka Yearly Days Worked Notify**

**Definition:** This employee exceeds the ACA days worked notify field per year set in the ACA-Track admin section, therefore at this point in time this employee may be getting close to qualifying for health benefits. This status does not apply to every employer. ACA-Track can monitor the unique days worked, and in some occupations such as substitute teachers, once they reach a certain number of days at a certain number of hours per day, they could qualify. This status is offered for our school district clients. This employee should be reviewed.

**ACTION:** Review the number of days worked, the average hours per week and average hours per month to determine if this employee is trending toward the ACA hours worked threshold. Then take appropriate action.

### **None**

**Definition** – The program was unable to determine a status code, most likely due to missing or illogical data. This employee should be reviewed.

**ACTION:.** This employee should be reviewed, please notify your ACA-Track contact with all details about this employee as further review and analysis is required.

### **Employees with Health Insurance**

FT w HI – This full time employee has an active health insurance plan

PT w HI – This part time employee has an active health insurance plan

FT w Waiver – This full time employee has an active health insurance waiver

PT w Waiver – This part time employee has an active health insurance waiver

### Other Employee Status Code

Terminated – This employee has a terminated date in the employee master data

Inactive – This employee has an inactive date in the employee master data

Neg days / Hrs – This employee has a negative total of days or hours and therefore status cannot be determined. Review the data for this employee and correct. This employee should be reviewed.

Cadillac Plan – This employee’s data violates the ACA Cadillac Plan guidelines and should be reviewed.

Unaffordable – This employee’s data violates the ACA Unaffordable Health Insurance guidelines and should be reviewed.

#### NOTES:

1. FT stands for Full Time and is determined by Employee Status Field (‘Status’ in grid). In the ACA Admin Area, Employee status codes are set to Full Time
2. PT stands for Part Time and is determined by Employee Status Field (‘Status’ in grid). In the ACA Admin Area, Employee status codes are set to Part Time
3. If erroneous data is corrected in the payroll system data, a new snapshot must be run to load the corrections as payroll data is stored historically in each snapshot

### ACA-Track Leave Processing – how does it work?

Definition: The purpose of processing leave is to prevent disadvantaging the employee, specifically averaging hours across these unpaid leave periods resulting in lower weekly and monthly averages for the employee. The leave type to be tracked (see ACA regulations for definitions) is approved, unpaid time away from work such as unpaid FMLA, unpaid Jury duty and unpaid military duty. If an employee is employer-compensated for FMLA, employer-compensated for jury duty or employer-compensated for military time, that time is NOT entered in the ACA-Track™ leave process. Time for which an employee is paid is captured via the payroll or time tracking system.

The original ACA-Track approved unpaid ACA leave processing feature (FMLA/Jury/Military) determined the number of days between the “leave from date” and the “leave to date”, and subtracted these days from the total days used in the averaging. In essence, removing them from the averaging algorithm. This approach works well when the number of leave days is for an extended period of time, i. e. 8 weeks FMLA, 3 month military duty, or 2 week jury duty.

In shorter time periods or in instances when FMLA is approved, for example, every Thursday afternoon for treatment, or an employee is compensated 2 hours a day with paid time off, but requests unpaid 6 hours a day FMLA. This FMLA request frequently occurs so an employee can protect their full time job status. In these instances, the whole day method applied above is ineffective.

Additionally, some employees work alternative schedules such as 3 – 12 hour days and then off 4 or 5 days without working, or different daily hours. In these odd instances, removing leave days or a portion of leave days, may not provide accurate results.

In order to fully address these more complicated leave circumstances, ACA-Track was enhanced allowing entry of the actual leave hours. When hours exist in the leave record, these hours are added to the worked hours providing an accurate average of hours, therefore not disadvantaging the employee. For example, an employee works Monday, is off Tuesday for approved unpaid FMLA, off 3 hours Wednesday for FMLA but works 4 hours, works Thursday and is off Friday for FMLA. Given the employee works 7 hours a day, an ACA-Track leave record with dates from Monday thru Friday and an hours value of 17 (FMLA 7+3+7) that is added to the actual hours worked 18 (7+4+7) for a total ACA applied 35 average hours for this week. It is best to not overlap leave record dates beyond a single payroll, and is best when provided by the week (so weekly averages are correct).

When should each approach be used?

With Hours: The best approach is always supplying leave records with leave hours on a daily or weekly basis that do not overlap payroll dates. When employees work uneven daily or weekly routines or have abnormal work schedules, supplying the hours is recommended. When leave and time worked are commingled, supplying actual approved, unpaid leave hours in addition to the actual time worked, is the only way to assure accurate employee averages.

From and to Dates Only: Long term non-working leaves such as pregnancy/ maternity leave and long term military can be easily tracked with just from and to dates. The calculated number of days will be subtracted from the employees averaging providing accurate time worked averages for ACA analysis.

What is the proper way to add hours to the leave record?

The date range will cover the period of leave, broken down by week or at least by payroll, and the hours field contains the number of unpaid leave hours the employee would have normally worked. If an employee normally works three 12 hour days and takes one day approved FMLA, the hours field would contain 12 hours (that which the employee would have normally worked).

### Employee Leave Processing - Break-In-Service Rules for Continuing Employees (Special Unpaid Leave Rule and Employment Break Period Rule)

Effective Feb 2014, the following applies:

“The proposed regulations also provide an averaging method for employment break periods that is applicable to educational organizations that use the look-back measurement method. For this purpose, an employment break period is a period of at least four consecutive weeks (disregarding special unpaid leave), measured in weeks, during which an employee is not credited with hours of service. “

Under the proposed averaging method, in the case of an employee returning from absence who would be treated as a continuing employee (that is, an employee whose break in service was shorter than one resulting in treatment as a rehired employee), the employer would determine the employee’s average hours of service for a measurement period by 1) computing the average after

excluding any special unpaid leave (and in the case of an educational organization, also excluding any employment break period) during that measurement period and 2) by using that average as the average for the entire measurement period.

Alternatively, the employer could treat the employee as credited with hours of service for any periods of special unpaid leave (and, in the case of an educational organization, any employment break period) during that measurement period at a rate equal to the average weekly rate at which the employee was credited with hours of service during the weeks in the measurement period that are not part of a period of special unpaid leave (or, in the case of an educational organization, an employment break period).

The two alternative methods were intended to be different expressions of an equivalent calculation, therefore having the same results. In no case, however, would the employer be required to exclude (or credit) more than 501 hours of service during employment break periods in a calendar year (however no such limit applies for special unpaid leave).

ACA-Track provides for this provision by capturing periods of unpaid leave in the Events Tracking system. Two specific events relate to this provision: 1) District 4 week+ break; 2) Employee 4 week+ break.

When an employee has an unpaid leave break due to military, jury or FMLA leave, this should be entered into Events Tracking with a beginning date and ending date. ACA-Track will subtract the days between the event beginning and ending dates (both employee and employer) arriving at the true days and weeks (using the exclude option), which is then subtracted from the total days before the weekly and monthly averages are computed.

### Seasonal Employee definition

Effective Feb 2014, Treas. Reg. 54.4980H-1(a)(38) defines the term “seasonal employee” to mean, “an employee who is hired into a position for which the customary annual employment is six months or less.”

### Part-Time Employee definition

Effective Feb 2014, Treas. Reg. 54.4980H-1(a)(32) defines “part-time employee” to mean “a new employee who the applicable large employer member reasonably expects to be employed on average less than 30 hours of service per week during the initial measurement period, based on the facts and circumstances at the employee’s start date.”

ACA-Track reports the employer supplied Employee Status code as reference. But at each snapshot, every employee is reviewed and assigned an ACA Status at the snapshot time. Employees without Health Insurance can then be monitored for their weekly and monthly hours worked.

### Dependent Definition

Treas. Reg. 4980H-1(a)(12) defines the term “dependent” as “[A] child (as defined in section 152(f)(1) but excluding a stepson, stepdaughter or an eligible foster child (and excluding any individual who is excluded from the definition of dependent under section 152 by operation of section 152(b)(3))) of an employee who has not attained age 26.”

## Paraprofessional Coach Definition and processing

Effective Feb 2014, it is generally accepted that paraprofessional coaches fall into two categories: 1) those who work solely as coaches without any other compensation from the district, and 2) those who coach but also have other jobs within the district. This later group is further divided into those with health insurance, and those without.

- A. Paraprofessional coaches who are offered (either accepted or waived) health insurance are not an issue; the district has fulfilled its obligation.
- B. Employees who hold other jobs within the district, for which they are compensated, must be monitored (actual hours worked) for ACA compliance. This includes all jobs held within the district including the paraprofessional coaching position.
- C. Employees who hold only a paraprofessional coaching job, for which they are paid a minimal stipend, are generally treated as volunteers as defined the Feb 2014 IRS release.

ACA-Track will accommodate all three employee types.

## Hours of Service Exclusions for volunteers

Effective Feb 2014, Treas. Reg. 54.4980H-1(a) (24) (definition of hour of service) excludes hours of service of bona fide volunteers. Under Treas. Reg. 54.4980H-1(a)(7) the term “bona fide volunteer” means an employee of a government entity or an organization described in section 501(c) who is exempt from taxation under section 501(a) whose only compensation from that entity or organization is in the form of the following:

- A. Reimbursement for (or reasonable allowance for) reasonable expenses incurred in the performance of services by volunteers;
- B. Reasonable benefits (including length of service awards), and nominal fees customarily paid by similar entities in connection with the performance of services by volunteers.

ACA-Track does not actively collect and monitor this provision, but ACA-Track can be used to monitor this situation. For educational school districts, one general application area is paraprofessional coaches. Generally speaking, if a paraprofessional coach works only as a coach (no other paid work for the district), they do not require monitoring as they are treated as volunteers. However, if this employee receives any paid compensation, such as driving a bus to a sporting event, then all hours must be tracked.

## Stability Period Associated with Measurement Period Rules

Previous regulations were inconsistent in this area. Effective Feb 2014, Treas. Reg. 54.4980H-3(d)(1)(vi) furnishes the following solution:

“To prevent this administrative period from creating a period during which coverage is not available, the administrative period must overlap with the prior stability period, so that, during any such administrative period applicable to ongoing employees following a standard measurement period, ongoing employees who are enrolled in coverage because of their status as full-time employees based on a prior measurement period must continue to be covered through the administrative period.”

For Kentucky school districts, the Kentucky Department of Education recommendations address any concerns with the date assignment. As an example:

Measurement Period: 10/3/2013 – 9/30/2014  
Admin Period: 10/1/2013 – 12/31/2014  
Stability Period: 1/1/2015 – 12/31/2015

### Clarification of whether and when an employer can test compliance month-by-month vs. under the look-back measurement method

Effective Feb 2014, Treas. Reg. 54.4980H-3 clearly delineates and provides rules for two options for testing compliance with Code 4980H:

- A. The “monthly measurement method” under Treas. Reg. 54.4980H-3(c)
- B. The “look-back measurement method” under Treas. Reg. 54.4980H-3(d)

Treas. Reg. 54.4980H-3(e) provides rules that permit the use of different methods for different categories of employees (i.e., salaried vs. hourly, employees in different states, and collectively bargained vs. non-collectively bargained), and also sets forth rules for changing from one method to the other.

ACA-Track utilizes the “look-back measurement period” method and provides one measurement period per unique group (employer). This method was chosen because generally a one-year look-back period provides the best employer advantage by averaging hours worked over a longer period of time. When an employee meets the hours worked threshold over a year’s period, they are truly eligible for benefits.

If this one “look-back measurement period” approach is insufficient for a district or employer, then multiple district/employer ID may be used, supported by consolidated annual reporting.

### Break-in Service Rules

Prop. Treas. Reg. 54.4980H-3(e) provided a rule under which “for purposes of Code 4980H, an employee who resumes providing services to (or is otherwise credited with an hour of service for) an applicable large employer after a period during which the employee was not credited with any hours of service may be treated as having terminated employment and having been rehired, and therefore may be treated as a new employee upon the resumption of services only if the employee did not have an hour of service for the applicable large employer *for a period of at least 26 consecutive weeks.*” (Emphasis added.) Effective Feb 2014, Treas. Reg. 4980H-3(c)(4)(v) reduces the 26-consecutive-week period for employers other than educational organizations to 13 consecutive weeks. The 26-consecutive-week period rule is retained for educational organizations.

The proposed regulations also provided for a rule of parity that was not changed by the final regulations. Under that rule, an employee may be treated as having terminated employment and having been rehired after the greater of (i) four consecutive weeks during which the employee was

not credited with any hours of service, and (ii) that break in service exceeds the most recent period of service. Also, employees returning from a break in service of 13 weeks or more (26 weeks for education) may also be treated as a new hire.

ACA-Track uses the provided “First day of service”, which can be Hire Date, Service Date, Perm Date or Original Hire Date, to determine when a break in service occurs. The responsibility to monitor and change this date lies with employer.

### Safe Harbor Considerations

On February 10, 2014 final regulations under the Employer Shared Responsibility provisions of the Affordable Care Act (ACA) were issued by the IRS. These final regulations included clarifications on the “affordability safe harbor” definitions.

Generally, no large employer penalty is imposed when the employer offers group health plans to at least 95% of full-time employees and dependents, if coverage meets ACA “affordability” and “minimum value” requirements. Full-time is currently defined as working 30 hours per week average or 130 hours per month.

For 2015, a large employer who offers group health plan coverage to at least 70% (vs 95%) of all full-time employees, and dependents will not be subject to fines and penalties. Beyond 2015, this rises to 95%.

The original “household income” definition was income in Box 1 on Form W-2. However, subsequent regulations issued December 28, 2012, established three “safe harbor” methods an employer can use for affordability testing. The employee cost for self-only coverage under the employer’s lowest-cost option is not more than 9.5% of any full-time employee income. The three optional safe harbors have different calculations, but are listed below:

- 1) W-2 income
- 2) Rate of Pay (Monthly)
- 3) Federal Poverty Line

Please refer to the latest IRS regulations for specific details.

ACA-Track monitors the gross wages paid versus the employee benefit share; from measurement period start date to the snapshot “as of date.”

For organizations where the health insurance is provided via a state agency, the affordability aspect is not relevant, as the state agency is generally responsible for the calculation.

For private companies, the benefits provider must supply the minimum health insurance cost that meets the ACA regulations, and each employee’s latest W2 box 1 amount so ACA-Track can compute the affordability for each employee.

ACA-Track is enhancing the safe harbor calculations to use the Federal Poverty Line approach, which appears to provide the greatest advantage to the employer.

### How can I find bad data before it causes a problem?

For our “box on site” education users ACA-Track is just one module within the Seamless Data Portal suite of products. Another module is Data Monitor which scans your data on a scheduled basis and emails notice of any records potentially causing issues. Individual data review passes, looking for a specific issue, are placed within a scheduled batch, which in turn is set to run on a specific schedule. Batches can be scheduled for daily, weekly, monthly or any flexible schedule meeting your unique requirements.

Results are placed in an easy to understand Excel® Spreadsheet and emailed to a recipient group (or individual) for review and correction. Contact your ACA-Track consultant for more detail and discussion concerning your unique requirements.

### Employee Notifications – how will ACA-Track handle this requirement?

The ACA requirements for employee notification cover several areas. ACA-Track will offer two methods: 1) printed notices for manual distribution; and 2) electronic notices using Seamless HR. (Seamless HR is a separate application, at additional cost, which provides electronic forms, on-line signatures, and enhanced HR functions.)

## Frequently Asked TPA Questions:

### Employer Locations

**When an employer has only one location, and it is not specified, how should we handle this?** Each employee record and time record has a location field. The employee location will be the primary employee location and any work completed at another location will contain that location code. The location code/description is required and must be present in the upload files.

### Custom reports

**As a TPA, we may want access to reports our employers cannot access, is this possible?** Yes, ACA-Track contains an SQL reports module that allows access to completed / run reports and restricts access to the SQL report specification. Therefore, reports can be restricted to users based upon their access authorization. Two report access levels are anticipated, 1) TPA only and 2) TPA and employer.

**If our agency wants custom reports, how is this possible?** For a nominal fee, a current report can be restructured meeting specific needs, and new reports can be provided so each TPA can meet unique client needs.

## Frequently Asked TPA Data Questions:

### How does ACA-Track use Days Worked?

When an employer does not collect and monitor specific check in and check out time, ACA regulations allow application of 8 “Equivalency” hours per day. Some employers then monitor actual days worked, we then multiply by 8 hours per day, yield the days per year an employee must

work to qualify for benefits. Otherwise, this is an informational field that can be used in other HR reporting such as retirement qualification or other benefit allocation.

When payroll data is imported into ACA-Track, days worked is an importable field with the payroll data.

### How are the deduction start / end dates used?

“StartDate” and “EndDate” refer to when the health insurance coverage started and ends for each employee. This data determines how the HI grid field is populated with a “Yes” if the employee has a health insurance deduction, and then showing green highlight if the deduction is active. Active deductions have an “A” in the inactive field AND the “as of date” between the deduction start and end dates.

### Is Waiver Data necessary?

Yes. ACA regulations allow an employee to opt-out of health insurance coverage, and therefore declines health insurance with the tracking employer. Otherwise, it would appear the employer failed to offer insurance to a qualifying employee. This data can be imported or manually entered and maintained via ACA-Track Events module.

### If time card (punch in, punch out) data is not being used by an employer, must actual hours worked by provided in the payroll ActHours field?

Yes, hours worked must be provided either via ACATime or Employee Payroll ActHours. If ACATime is being provided, then ActHours would be zero.

*Note: When hours worked are provided for an entire pay period, it is difficult to allocate hours to the correct week (when months cross within a week), month (when pay periods cross months), and even measurement periods (when pay periods cross measurement periods). If an employee is very close to meeting ACA averages, these small variances could push him/her over the threshold.*

It is highly recommended daily time be provided to ACA-Track via the ACATime data format.

#### LEGAL DISCLAIMER

***Information provided by PSST, LLC concerning the Affordable Care Act is not legal advice and should not be treated as such. If you have questions about how the Affordable Care Act will affect you as an employer, please consult legal counsel.***