

AN ALERT FROM THE BDO COMPENSATION & BENEFITS TAX PRACTICE

BDO KNOWS:

COMPENSATION & BENEFITS

► SUBJECT

PLAY OR PAY PENALTIES DELAYED FOR ONE YEAR

► SUMMARY

In response to employers' requests for more time to implement complex regulations regarding reporting requirements under the Affordable Care Act, the Obama Administration announced on Tuesday, July 2, 2013, a one-year delay in the effective date of a major component of the Act requiring employers with at least 50 workers to offer health coverage or be exposed to a penalty. The provision, commonly known as the "play or pay" penalty or employer mandate, will now become effective on January 1, 2015. Obviously, the delay removes the pressure to redesign plan coverage in the next few months to maximize the cost benefit of avoiding (or paying) the penalties. Employers now have an extra year to vet the pros and cons of their plan designs and to implement the Act's requirements on coverage.

The Act's other two major provisions, expanding Medicaid and requiring individuals to obtain coverage or pay a penalty, will still become effective on January 1, 2014.

► BACKGROUND

The extended provision, commonly known as the "play or pay" penalty or employer mandate, requires businesses with 50 or more full-time or full-time-equivalent workers to provide insurance to full-time workers or risk a penalty of \$3,000 for each full-time employee over 30. Even employers that offer health care benefits can be subject to a different penalty calculation if the offered coverage is not of the right quality or is not affordable. In this instance, a penalty of \$3,000 will be assessed for each full-time employee who actually received a federal subsidy to purchase health coverage on an exchange.

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