

# ACA Measurement Periods & Employment Status Changes; *Full-time to Part-time Status - Are You in Compliance?*

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To divert your attention from ACA reporting requirements, if only for a brief moment, we'd like to reinforce ACA requirements for changes in employment status that affect the coverage you offer your full-time employees. **While traditional changes in employment status have triggered the offering of COBRA (e.g. change from full-time to part-time status), that's not necessarily the case under the ACA...**

If you use the Monthly Measurement Period to determine full-time employment status and eligibility, an employee does not have to be treated as full-time for any month in which she/he averages less than 30 hours of service per week. Thus you would remove such an employee from coverage and offer COBRA in the event she/he reduced hours from full-time to part-time status. However, **if you are like countless employers who have implemented the safe harbor Look-back Measurement Method, make sure you are administering your program in accordance with ACA requirements.** Consider the following:

- Under the Look-back Measurement Method, an employee is generally considered as full-time and benefits eligible if she/he averaged 30 or more hours of service per week during an applicable measurement period preceding the stability period. Using the Look-back Measurement Method requires the establishment of two separate measurement periods:
  - A Standard Measurement Period (SMP) for ongoing employees (generally, all employees who have been employed for at least one full SMP); and
  - An Initial Measurement Period (IMP), for new variable hour, seasonal or part-time employees.
- **Once an employee has been determined to be full-time and benefits eligible at the end of a SMP or IMP, this determination generally applies throughout the related Stability Period** (the period coverage is to be offered) *regardless of how many hours the employee actually works during the Stability Period.* Thus, if an employee moves from full-time status to part-time status, coverage must be allowed to continue through the Stability Period and COBRA should not be offered in lieu of the employer plan.
- Although an employee moving from full-time to part-time status under the Look-back Measurement Method must be allowed to continue coverage, she/he may want to drop coverage at that time due to a corresponding reduction in pay. In order for this to be permissible, the employer's Section 125/Cafeteria Plan must allow for reduction in hours/change in employment status events to permit such employees to drop coverage mid-year regardless of whether or not the change in status results in loss of eligibility.

*The above highlights ACA measurement rules and is not intended to be exhaustive, nor should it be construed as legal advice.* As always, should you have any questions or concerns in meeting your obligations, feel free to contact any member of the [Sullivan Benefits Team!](#)