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!