Employee Reduction in Hours; Full-Time to Part-Time COBRA and ACA Requirements

Considerations for Employers with 50 or More Full-Time Employees

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By Chrystine M. Heier, CEBS, LIA Principal & Co-Owner Sullivan Benefits

Before the ACA, an employee experiencing a reduction in hours below an employer's full-time requirement was entitled to and offered COBRA continuation coverage for 18 months. However, under the ACA, employers utilizing the <u>look-back measurement method</u> to determine full-time status should be aware that a reduction in hours will not necessarily cause an employee's eligibility for coverage to terminate.

Look-back Measurement Method

The look-back measurement method allows an employer to count the number of hours an employee worked during a look-back period, or measurement period, to determine whether an employee is considered full-time and eligible for benefits. If an employee is deemed to be full-time and eligible for benefits, she/he is considered to be eligible for benefits for a full "stability period", regardless of the actual number of hours she/he works during the stability period. Thus, if an employee's hours are reduced during a stability period she/he must remain eligible for coverage throughout the stability period. A pure reduction in hours generally does not cause eligibility to terminate; the one potential exception to this is a bona fide change in position including titles and duties.

COBRA Offers Following Stability Periods

Once a stability period has ended, assuming the look-back measurement results for an employee indicate status that does not meeting full-time eligibility, the employee is then offered COBRA continuation coverage for the standard 18-month period. Depending on the timing of the reduction of hours, it is possible that an employee remains eligible for coverage through a second stability period (i.e. the reduction in hours occurred at the end of a specified measurement period).

Many other qualifying events trigger COBRA; click here to see details.

As always, contact any member of the <u>Sullivan Benefits</u> Team with any questions, requests for materials or more information.

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