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Managing employee status changes under the Affordable Care Act

By Jennifer Carsen, JD, Senior Legal Editor

So, you think you've got a pretty good handle on this whole [Affordable Care Act \(ACA\)](#) thing. You know that you're an applicable large employer (or ALE—and that "ALE" isn't merely that thing you want to drink a lot of after a day of filling out ACA paperwork).



Yes, sir (or ma'am)—you're in pretty darn good shape indeed! And kudos to you for it.

But what still throws a monkey wrench into the works is when an employee's status changes—which, if you've been in HR for longer than 8 minutes, you know happens *all the time*:

- Your star seasonal employee gets bumped up to full-time, year-round status
- A longtime full-time employee drops down to part-time
- Someone leaves ... but then comes back
- And so on

For even the most ACA-savvy HR professional, it's enough to make you want to cry into your ALE.

But help is here. Read on for our Plain-English translation of the change-of-status rules under the ACA for three common scenarios.

Scenario #1

Employee moves from seasonal, part-time, or variable-hour status to full-time status during the initial measurement period.

Steve the ski instructor is a superstar. At some point during his initial 12-month measurement period, you decide to hire him on as a full-time year-round employee; he will run your beach grill during the off season. ACA impact?

In general, if a seasonal, part-time, or variable-hour employee moves to a full-time position during the initial measurement period, you have until the earlier of these two dates to offer the person qualifying health coverage:

- a) The first day of the fourth full month following the change in status *or*
- b) The first day of the first month following the initial measurement period, plus any applicable administrative period, if the employee averaged 30-plus hours per week during the initial measurement period

Scenario #2

Employee moves, during a stability period, from full-time status to part-time status.

Lolly was hired as a full-time employee 2 years ago to boost your company's widget sales. She has been fantastic, and widget sales are up 184%, but Lolly has just informed you that she wants to drop down to part-time in order to better care for her aging Siamese cat, Sammy. Because you don't want to lose Lolly, you agree to this change. Lolly is currently in a stability period. ACA impact?

If Lolly qualified as full-time under the ACA during the prior applicable measurement period, she is generally considered full-time for ACA purposes for the duration of the current stability period, even though her hours have now dropped to part-time levels.

However, if Lolly has been offered continuous ACA-qualifying coverage from at least the fourth month of her employment, her employer may apply the monthly measurement method within 3 months of Lolly's status change if she averages less than 30 hours per week for each of the 3 months following that change.

This special rule is designed to help employers who play by the rules and offer appropriate coverage, so they are not stuck having to consider a part-timer like Lolly full-time for ACA purposes for the entire duration of a potentially lengthy stability period.

Scenario #3

Full-time employee terminates employment and is subsequently rehired.

Boomerang Bob quits in a snit over the appalling state of the microwave oven in the break room, but sheepishly returns a few months later (bearing a brand-new microwave to boot). Bob is rehired on the spot. ACA impact?

Under the ACA, an employee who terminates and is then rehired may be considered a "new" employee only if he or she had a full break in service of at least 13 consecutive weeks (or 26 weeks for certain educational organization employers).

However, an employee may be treated as "new" after a break of only 4 or more consecutive weeks, if that break is longer than the employee worked for you immediately prior. For example, if Boomerang Bob was at his company for only 6 weeks before quitting, and stayed away for 8 weeks, Bob's employer could treat him as a brand-new employee for ACA purposes when he returned.

Any more tricky ACA change-of-status situations you've been wondering about? [E-mail them to me](#)—if we have enough, I'll round them up into a follow-up article.



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