

ACA | Terminology



The Affordable Care Act and its terminology are overwhelming; where does one begin to understand it all? We've compiled a glossary of ACA terminology to help you through the maze.



Affordable Care Act (ACA)

The comprehensive health care reform law was enacted March 2010 in two parts - the Patient Protection and Affordable Care Act, amended by the Health Care and Education Reconciliation Act. Affordable Care Act refers to the final, amended version of the law.



Health Insurance Exchange (HIE)

A transparent and competitive insurance marketplace where individuals and small businesses can buy affordable and qualified health benefit plans. Exchanges will offer a choice of health plans that meet certain benefits and cost standards. Starting in 2014, the public will be able buy insurance through Exchanges and Members of Congress will be getting their health care insurance through Exchanges, too.



Actuarial Value

The percentage of total average costs for covered benefits that a plan will cover. For example, if a plan has an actuarial value of 70%, on average, you would be responsible for 30% of the costs of all covered benefits.



Employer Responsibility

Under the ACA starting in 2014, if an employer has at least 50 full-time equivalent employees but doesn't provide minimum essential coverage and an employee is eligible for a tax credit to help pay for insurance through an Exchange, the employer must pay a fee to help cover the cost of the tax credits.



Administrative Period

Allow an applicable large employer the option to have an administrative period of up to 90 days between the end of a measurement period and the start of a stability period.



Affordable

Generally, this means the employee portion of the self-only premium for the employer's lowest cost coverage that provides minimum value not exceed 9.5 percent of the employee's household income. Coverage offered by an employer to an employee would be treated as affordable if the employee's required contribution was no more than 9.5 percent of the employee's wages (reported in Box 1 of the Form W-2) instead of household income. There is also a safe harbor based upon either rate of pay or the Federal Poverty Level.



Essential Health Benefits

Essential health benefits are a comprehensive package of items and services that must be covered by certain plans both inside and outside of the Exchanges, starting in 2014. Essential health benefits must include items and services within at least the following 10 categories: ambulatory patient services; emergency services; hospitalization; maternity and newborn care; mental health and substance use disorder services, including behavioral health treatment; prescription drugs; rehabilitative and habilitative services and devices; laboratory services; preventive and wellness services; chronic disease management and pediatric services, including oral and vision care. Insurance policies must cover these benefits in order to be certified and offered in Exchanges, and all Medicaid state plans must cover these services by 2014.



Applicable Large Employer

An applicable large employer is defined as an employer that employed an average of at least 50 full-time employees on business days (6-months) during the preceding calendar year.



Full-time Employee

A full-time employee is defined as employed on average at least 30 hours of service per week with respect to any month.



Minimum Value

A plan fails to provide minimum value if the plan's share of the total allowed costs of benefits provided under the plan is less than 60 percent of those costs. If the large employer coverage offered fails to provide minimum value, an employee may be eligible to receive a premium tax credit.



New Employee

An employee who has been employed by an applicable large employer for less than one complete standard measurement period.



Ongoing Employee

An employee who has been employed by an applicable large employer member for at least one complete standard measurement period.



Seasonal Worker

A worker who performs labor or services on a seasonal basis. No longer than a 4 calendar month period.



Stability Period

An applicable large employer selected time period that follows a standard measurement period or an initial measurement period. The stability period is used as part of the process of determining whether an employee is a full-time employee under the look-back measurement method.



Standard Measurement Period

A time period defined by an applicable large employer member of at least three, but not more than 12, consecutive months used in determining whether an ongoing employee is a full-time employee under the look-back measurement method.



Variable Hour Employee

Based on the facts and circumstances at the employee's start date, the new employee is a variable hour employee if it cannot be determined that the employee is reasonably expected to be employed on average at least 30 hours of service per week.

FTE

Full-time Equivalent Employees (FTEs)

Calculate the aggregate number of hours of service (but not more than 120 hours of service for any employee) for all employees who were not employed on average at least 30 hours of service per week for that month, and divide the total hours of service by 120. This is the number of FTEs for the calendar month.



Hours of Service

Each hour for which an employee is paid, or entitled to payment, for the performance of duties for the employer and each hour for which an employee is paid, or entitled to payment by the employer on account of a period of time during which no duties are performed (e.g., vacation, holiday, illness, jury duty).



Individual Responsibility

Under the ACA, starting in 2014, individuals must be enrolled in a health insurance plan that meets basic minimum standards or pay an assessment. No assessment is due in the case of very low income making coverage unaffordable, or for other reasons including religious beliefs.



Measurement Period

Defined period of not less than three but not more than 12 consecutive calendar months, as chosen by the employer (the measurement period), to determine whether the employee was employed on average at least 30 hours of service per week.



Minimum Essential Coverage

The type of coverage an individual needs to have to meet the individual responsibility requirement under the ACA. This includes individual market policies, job-based coverage, Medicare, Medicaid, CHIP, TRICARE and certain other coverage.