

# Facts for Employers

## 2014 PPACA Changes to Waiting Periods for Coverage



Beginning January 1, 2014, Federal Health Care Reform, the Patient Protection and Affordable Care Act (“PPACA”), provides that employers **may not impose a waiting period longer than 90 days** with respect to an employee or dependent who is otherwise eligible to enroll in coverage. This PPACA provision doesn’t require that employers offer coverage to any particular group of employees; it merely governs the allowable waiting period when coverage is offered. Further, the rule about waiting periods applies to *both* grandfathered and non-grandfathered plans.

It is permissible for employers to have eligibility requirements that are based on factors other than the passage of time, such as being a full-time employee, working a specified number of cumulative hours, or achieving job-related licensure, so long as those requirements are not intended to avoid compliance with the 90-day waiting period limitation. An employer will not be considered to be in violation of PPACA if an eligible employee takes additional time to elect coverage.

The Department of Labor, Treasury Department, and IRS have provided the following guidance for 2014 for situations where health plan eligibility is conditioned on an employee working a specified number of hours per pay period or accumulating a specified number of hours of service.

**Situation 1:** An employer cannot determine at the time of hiring if a new employee is reasonably expected to regularly work enough hours per pay period to be eligible to enroll in a plan. In this situation, an employer is allowed to take a reasonable period of time to determine whether the employee meets the plan’s eligibility rule. Employers may use a measurement period up to 12 months to determine that an employee is full-time, so long as this measurement period would result in coverage being effective no later than 13 months after the employee’s start date, plus the time remaining until the first day of the next calendar month if the employee’s start date was not the first day of the month.

**Situation 2:** A part-time employee becomes eligible for coverage after accumulating a specified number of hours of service. Coverage for such an employee must go into effect no later than the 91st day after the employee has accumulated the required number of hours. Please note, however, that a requirement of more than 1,200 cumulative hours of service would be considered to be designed to avoid compliance with the 90-day waiting period limitation.