

Large Employer Mandate – Measurement Periods Defined

Why Do We Need to Understand Measurement Periods?

In order to determine “full-time” status for ongoing employees – those who have been employed by their employer for at least one complete Standard Measurement Period (SMP) – employers must establish and identify the measurement and stability period they will use to determine their employees’ “full-time” status. This is a critical component of determining the impact of Variable Hour Employees on a group’s Large Employer status under PPACA’s Pay or Play mandate.

Key Terms:

- **FULL-TIME EMPLOYEE** – An employee who is reasonably expected to average at least 30 hours per week at the time of hire. Full-time employees must be offered group health coverage within the first 90 days of the hire date.
- **VARIABLE HOUR EMPLOYEE** – An employee whom the employer cannot reasonably determine to work at least 30 hours per week at the time of hire. An employer may use the Initial Measurement Period to determine the actual number of hours that a newly hired variable hour employee averaged per week during this period. Note: If the employee is determined to have averaged at least 30 hours per week during the Initial Measurement Period or the Standard Measurement Period, the employer must offer the employee minimum essential health coverage during the Stability Period or they will have to pay a penalty.

Initial Measurement Period

A designated period of time between 3-12 months where the employer determines whether the newly-hired variable hour employee is “full-time”. The employer must determine whether or not the employee worked an average of 30 hours a week during this period.

Standard Measurement Period

Must be at least 3-12 consecutive months in length. The employer may choose the months in which to start and end the Standard Measurement Period, provided that the determination is made on a uniform basis for all employees in the same category.

Administrative Period

The period of time, no longer than 90 days, where employers have the option to delay the stability period in an effort to determine which ongoing employees are eligible for coverage and to notify and enroll employees.

Stability Period

Must be at least 6 consecutive months in length and no shorter than the Standard Measurement Period. During the Stability Period the employer must offer affordable minimum essential coverage to all full-time employees. If the employer fails to comply with these regulations they will be assessed a penalty.