Full-Time Equivalent Calculation*
(Required for all risk/fully-insured medical business)

Under the Affordable Care Act (ACA), product eligibility and group size are based on a Full-Time Equivalent (FTE) calculation that uses a 30-hour work-week and 120-hour work-month. The collection and reporting of this data by CareFirst is required under Federal mandate.

Employers are encouraged to use Federal guidance in conjunction with accountants and/or legal counsel when determining their group size. The enclosed worksheet is intended to aid employers in calculating this FTE value in accordance with the Federal guidance shown on pages 2 and 3.

CareFirst only requires that employers return the FTE Certification on page 5.

The FTE calculation is used to determine the average number of all employees (not just the number of covered lives) who worked for your company in the calendar year prior to your renewal date.

This document was created for informational purposes only and is not intended to provide legal and/or accounting advice and should not be relied upon as such. Groups should consult with their own accountants and/or legal counsel if they have any questions regarding the financial and legal impacts of the Affordable Care Act.

* Data is not required for ancillary products (e.g. vision, dental) sold independently of a medical product.
Internal Revenue Bulletin: 2011-21†

I. DETERMINATION OF WHETHER AN EMPLOYER IS AN APPLICABLE LARGE EMPLOYER

This section of the notice describes the process for determining whether an employer is an applicable large employer in accordance with § 4980H. Comments are welcome.

A. Applicable Large Employer Status Determined Based upon Sum of Full-Time Employees and FTEs

Under § 4980H, an employer would not be subject to an assessable payment unless the employer is an applicable large employer. As noted above, § 4980H defines an applicable large employer, with respect to a calendar year, as an employer that employed an average of at least 50 FT employees on business days during the preceding calendar year. For purposes of this Section I, the term “FT employees” means the sum of the employer’s full-time employees and FTEs.

B. Full-Time Employees for Determining Applicable Large Employer Status

Section 4980H provides that full-time employee status is determined on a monthly basis. Under § 4980H, a full-time employee with respect to any month is an employee (including a seasonal employee) who is employed, on average, at least 30 hours of service per week (or, under the rules contemplated to be included in proposed regulations, at least 130 hours of service in the calendar month). An employee who is not a full-time employee under this standard (including a seasonal employee) for a given month is taken into account in the FTE calculation. Section 4980H(c)(2)(E).

C. Full-Time Equivalents for Determining Applicable Large Employer Status

In determining whether an employer is an applicable large employer for the current calendar year, § 4980H provides that the employer is required to calculate the number of FTEs it employed during the preceding calendar year and count each such FTE as one FT employee for that year. All employees (including seasonal employees) who were not full-time employees for any month in the preceding calendar year are included in calculating the employer’s FTEs for that month. The number of FTEs for each calendar month in the preceding calendar year would be determined using the following steps:

1. 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 full-time employees for that month.

2. Divide the total hours of service in step (1) by 120. This is the number of FTEs for the calendar month.

In determining the number of FTEs for each calendar month, fractions would be taken into account. For example, if in a calendar month employees who are not full-time employees work 1,260 hours, there would be 10.5 FTEs for that month. However, after adding the 12 monthly full-time employee and FTE totals, and dividing by 12 (the amount in Section I.E, step (4) below), all fractions would be disregarded. For example, 49.9 FT employees for the preceding calendar year would be rounded down to 49 FT employees (and thus the employer would not be an applicable large employer in the current calendar year).

D. Seasonal Employees
Section 4980H provides that seasonal employees are employees who perform labor or services on a seasonal basis as defined by the Secretary of Labor, including seasonal workers covered by 29 C.F.R. § 500.20(s)(1) and retail workers employed exclusively during holiday seasons. Section 4980H(c)(2)(B)(ii). If an employer’s workforce exceeds 50 FT employees for 120 days or fewer during a calendar year, and the employees in excess of 50 who were employed during that period of no more than 120 days were seasonal employees, the employer would not be an applicable large employer. It is contemplated that, for this purpose only, four calendar months would be treated as the equivalent of 120 days.

E. Calculating the Number of FT Employees
The steps in calculating the number of FT employees in the preceding calendar year, and thus whether the employer is an applicable large employer for the current calendar year, would be as follows:

(1) Calculate the number of full-time employees (including seasonal employees) for each calendar month in the preceding calendar year.

(2) Calculate the number of FTEs (including seasonal employees) for each calendar month in the preceding calendar year (as described in Section I.C above).

(3) Add the number of full-time employees and FTEs calculated in steps (1) and (2) for each of the 12 months in the preceding calendar year.

(4) Add up the 12 monthly numbers in step (3) and divide the sum by 12. This is the average number of the employer’s FT employees for the preceding calendar year. See Section I.C above for rule regarding fractions and rounding.

(5) If the number of FT employees in step (4) is less than 50, the employer is not an applicable large employer for the current calendar year.

(6) If the number of FT employees in step (4) is 50 or more, determine whether the seasonal employee exception, as described in Section I.D above, applies. If the seasonal employee exception applies, the employer is not an applicable large employer for the current calendar year. If the seasonal exception does not apply, the employer is an applicable large employer for the current calendar year.
Full-Time Equivalency Calculation Worksheet

The worksheet below may optionally be used to aid in calculating the group size according to FTE. **Groups are only required to complete and return the FTE Certification on the next page and are asked not to return this FTE Calculation worksheet.**

For a group renewing at any point in 2014, the employer must use information between January 1, 2013 to December 31, 2013 for the purpose of FTE calculation. Employers calculating group size according to FTE prior to December 31, 2013 may be required to estimate the number of anticipated full-time employees employed during the entire year and the anticipated part-time hours for the remainder of the year. Consult with your accountant and/or legal counsel for concerns about estimating.

**Step 1:** Enter the number of full-time employees (including seasonal employees) for each month.

**Step 2:** Enter the number of part-time FTEs (including seasonal employees) for each month. To determine FTEs, add the total hours for all part-time employees and divide by 120, as described in Section I.C of the Federal guidance. For the purpose of this calculation part-time employee hours must be capped at 120 per month.

**Step 3:** Add the number of full-time employees and part-time FTEs from Steps 1 and 2 for each of the 12 months.

**Step 4:** Add up the 12 monthly numbers in Step 3.

**Step 5:** Divide the value from Step 4 by 12 months to determine the employer’s FTE value. Round down to the nearest whole number as per Section I.C of the Federal guidance. For employers in business for only part of the calendar year, divide by the number of months in business instead of 12.

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**Step 4**

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**Step 5**

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\text{Step 4} \div 12
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**Step 6:** Assess FTE Value:

A: If the FTE Value in Step 5 is less than 50 then report the Step 5 value to CareFirst.

B: If the FTE Value in Step 5 is 50 or more and exceeded 50 for five or more months according to the values in Step 3, then report the Step 5 value to CareFirst.

C: If the FTE Value in Step 5 is 50 or more and exceeded 50 for four or fewer months according to the values in Step 3, then assess whether the seasonal employee exception as described in Section I.D applies. If the seasonal employee exception applies then report an FTE Value of 49 to CareFirst.
Example without Considering Seasonal Exception

The example below is an accounting firm which employed 39 full-time employees throughout the year, except December, when an employee resigned. During May, June, and July the firm employed 3 part-time staff at 20 hours per week. From January through April, the firm employed 4 seasonal staff full-time.

Step 1:  For January to April the group enters 43 full-time employees which includes the seasonal staff. For May to November the group enters 39 full time staff. For December, the group enters 38 full time staff.

Step 2:  Group calculates the FTE for part-time hours for May, June, and July. Each month had a total of 240 hours attributable to part-time staff. The 240 hours are divided by 120 hours with a result of 2 FTEs for each month.

Step 3:  Group adds Step 1 and Step 2 values for each month.

Step 4:  Group adds Step 3 values for all months which equals 489.

Step 5:  Group divides 489 by 12 which equals 40.75. This value is rounded down to 40.

Step 6:  Group assesses FTE Value and determines 6A applies because the value is less than 50. The group reports a value of 40 to CareFirst.
Example with Considering Seasonal Exception

The example below is a firm with substantial seasonal staff during the winter. The firm employed 49 full-time employees throughout the year. In September, October, November, and December, the firm employed 10 seasonal staff working full time.

Step 1: For January to August the group enters 49 full-time employees. For September to December group enters 59 full time staff which includes the seasonal staff.

Step 2: There are no part time hours, so nothing is entered in Step 2.

Step 3: Group adds Step 1 and Step 2 values for each month.

Step 4: Group adds Step 3 values for all months which equals 628.

Step 5: Group divides 628 by 12 which equals 52.3. This value is rounded down to 52.

Step 6: Group assesses FTE Value and determines 6C applies. Because 4 of the 4 months over 50 are attributable to seasonal employees, the Seasonal Exception applies. In this case, the group defaults to the Seasonal Exception FTE Value of 49 and reports a group size of 49 to CareFirst.

If the example above included an additional month or more where Step 3 exceeded 50 beyond the four identified then the Seasonal Exception would not apply. In this case, the group reports the calculated value of 52 to CareFirst.