ACA Terminology

iGUIDE

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.

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.

Administrative Period
An optional 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 does 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.

Affordable Care Act (ACA)
The comprehensive health care reform law was enacted in 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, consolidated version of the law.

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

Employer Inadequate Coverage Penalty
Starting in 2015, if an applicable large employer provides coverage that does not offer minimum value or is unaffordable and an employee receives a tax credit to help pay for insurance through the Marketplace, the employer must pay a fee.

Employer No-coverage Penalty
Under the ACA, starting in 2015, if an applicable large employer doesn't provide minimum essential coverage to substantially all full-time employees and an employee receives a tax credit to help pay for insurance through the Marketplace, the employer must pay a fee.

Essential Health Benefits
Essential health benefits are a comprehensive package of items and services that must be covered by certain plans inside the Marketplace as well as in the Medicaid system, 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 the Marketplace, and all Medicaid state plans must cover these services by 2014.

Full-time Employee
A full-time employee is defined as an employee employed on average at least 30 hours of service per week (or 130 hours of service per month) with respect to any month.

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.

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Health Insurance Marketplace (the Marketplace)
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 to buy insurance through Exchanges and Members of Congress will be getting their insurance through Exchanges, too.

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, or for other reasons including religious beliefs.

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

Medical Loss Ratio (MLR)
A basic financial measurement that gauges the value provided to enrollees. An insurance carrier spending 80 cents of every premium dollar for claims and quality improvement has an 80% MLR. The required MLRs are 85% in the large group market and 80% in the small group/individual markets. If the MLR is lower than those levels, the insurance carrier must provide a rebate to enrollees on a pro rata basis.

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, employer-sponsored coverage, Medicare, Medicaid, CHIP, TRICARE and certain other coverage.

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 for obtaining coverage through the Marketplace.

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 for at least one complete standard measurement period.

PCOR Fee
The Patient-Centered Outcomes Research Fee applies to health policies and self-insured plans (but not HIPAA-excepted benefits) for plan years ending after September 30, 2012, and before September 30, 2019. The first year fee is equal to $1 per covered life. The fee increases to $2 in the second year.

Seasonal Workers
A worker who performs labor or services on a seasonal basis.

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 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.

Waiting Period
The time that must pass before coverage can become effective for an employee or dependent who is otherwise eligible for employer-sponsored coverage. For plan years starting in 2014, the waiting period cannot exceed 90 days.