



Should You Pay or Play?

Beginning on January 1, 2015, certain employers must comply with the employer mandate provisions of the Patient Protection and Affordable Care Act (Affordable Care Act). They must offer affordable health coverage that provides a minimum value to at least 70% of their employees and dependents, or pay a penalty for not doing so.

Because the penalty is not overly burdensome, this federal regulation has also become known as the “pay or play” mandate. Each employer can choose to *play* by offering health coverage that meets the standards of the Affordable Care Act. Alternatively, they can opt to *pay a penalty* for not offering coverage.

If you haven’t decided whether your company will pay or play, you should first take the time to understand the details of the mandate. Then, instead of making a purely financial decision, you should consider the impact of your choice on your employee benefits strategy.

The Legal Consequences of Choosing Not to Play

The pay or play mandate that comes into effect in 2015 applies only to large employers that averaged 100 or more full-time equivalent employees during 2014. Starting in 2016, the pay or play mandate will also apply to mid-sized employers that averaged 50 or more full-time equivalent employees during 2015.

Employers that choose not to offer coverage are subject to a penalty of \$2,000 per full-time equivalent employee. Employers that offer coverage that is not affordable and/or does not provide minimum value are subject to a penalty of \$3,000 per full-time equivalent employee.

This is an extremely abbreviated version of a complex regulation. Be sure to review the Internal Revenue Service’s [Affordable Care Act Tax Provisions for Employers](#)¹ website for details and updates.

The Practical Consequences of Choosing Not to Play

Some employers may make a decision about whether to pay or play based solely on financial considerations. After working through the intricate calculations to arrive at the total amount of the penalty, they may find that the penalty is lower than the total dollar amount they would spend if they choose to offer their employees insurance.

If it turns out that paying the penalty actually saves the employer money, they may feel justified in their decision not to play. However, there are other considerations.

¹ IRS, [Affordable Care Act Tax Provisions for Employers](#), December 2014.



What Is Your Employee Benefits Strategy?

Prior to the enactment of the Affordable Care Act, analysts predicted that nearly one-third of employers would stop offering health benefits once the state and federal Health Insurance Marketplaces opened in 2014. However, one recent survey found that only 4% of large employers and 16% of mid-sized employers said they would stop offering coverage.²

Deciding whether to pay or play shouldn't be a purely financial decision. You should make your decision based on your overall employee benefit strategy.

It's true that if you don't offer insurance to your employees then they won't have to go without. They now have the ability to purchase their own insurance, even though many may pay a higher premium for fewer benefits than they would under an employee-sponsored plan.

However, if you've designed your benefits strategy with the goal of attracting and retaining top talent, ending your health benefits probably isn't a good idea. You'll be eliminating a significant component of what makes your company a valued employer in the eyes of your current employees and future prospects.

The expectations that employees have of your company are increasing at the same time that your responsibilities are changing. It is crucial that whatever decision you make is aligned with your overall employee benefits strategy.

Get the Help You Need to Decide Whether to Pay or Play

Will your company pay or play? It's not an easy choice to make. You must balance the costs of doing business with your ability to offer an attractive benefits package.

Fortunately, this isn't a decision that you need to make on your own. Seek the advice of an experienced insurance services provider who can help you understand the practical impact of your options and make a decision that benefits the long-term health of your company.

² *The Washington Post*, [Few Employers Dropping Health Benefits, Surveys Find](#), November 2014.

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