



Full-time employee v. FTE (full-time equivalent)

Details for calculating business size under the Affordable Care Act

The Affordable Care Act requires employers to calculate business size based on two factors: the number of full-time employees that an employer has and the number of full-time equivalent (FTE) employees they have. Here are the general details to help you determine your company size and which parts of the law apply to your business. To quickly determine your FTEs, use our [FTE calculator](#).

Full-time employee

A full-time employee is any employee with an average of at least 30 hours of service per week. Hours of service include hours worked as well as hours that an employee is paid but does not work, such as vacation, holiday, illness or disability, jury duty and military duty. Any employee who works 130 hours in a month is considered full-time, provided the employer applies this equivalency rule on a reasonable and consistent basis. To make this calculation, the law allows employers to choose a prior period of time of three to 12 months.

Full-time employee calculation details

Calculation: Hours of service an employee works in a previous time period of three to 12 months divided by the number of weeks in the same time period equals the average hours worked per week.

Measuring and reassessment: Employers can use this calculation to establish an employee's full-time status for a future period (called a stability period under the law). For employees who are determined to be full time, the stability period must be at least six months and no shorter than the measurement period. For employees determined not to be full time, the stability period cannot be more than one month longer than the initial measurement period and must not exceed the remainder of the standard measurement period in which the initial measurement period ends. So, employers must re-evaluate employees who are not considered full time after that amount of time. The employer has flexibility to choose the measurement period but must be consistent.

New employees: Employers must keep accurate records to show they are in compliance with the law's standards.

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Example: A firm analyzes a three-month period, determining it has 30 employees who are paid for 30 or more hours per week and 30 employees who are paid for an average of 20 hours per week. The firm has 30 fulltime employees and must reassess the remaining 30 who are not considered full time after three months. The employees who were determined to be full time could not be reassessed until after six months.

Full-time equivalent (FTE) employee

For some portions of the law, full-time equivalent employees (FTEs) must be counted. In these cases, employers calculate the number of FTE employees they have in addition to all full-time employees. This calculation is determined by dividing the total number of hours of service for the month of the employees who are not full time by 120. This is the calculation associated with the term "applicable large employer," and such employers are subject to the employer shared responsibility mandate.

FTE employee calculation details

Calculation: Divide the number of hours in a month for employees who are not full time by 120. Then, add the number of full-time employees. To get a yearly number, the FTEs for 12 calendar months are averaged.

Records: Employers must keep accurate records to show they are in compliance with the law's standards.

Example: The same firm determines it has 30 full-time employees (paid for 30 or more hours per week) and 30 employees who are not full time (paid for an average of 20 hours per week). In the month of November, the employer adds up the hours of the 30 employees who are not full time (working 20 hours per week for four weeks) and gets 2,400 hours. The calculation is: $2,400 \text{ hours} / 120 + 30 \text{ full-time employees} = 50 \text{ FTEs}$ for the month of November.

Some employers are exempt to this rule: Exempt employers include those exceeding 50 full-time employees for 120 or fewer days during the calendar year in which the employees perform labor on a seasonal basis or they are retail workers employed exclusively during holiday seasons.

For additional insight, visit aflac.com/healthcare_reform.

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