



Defining Group Size

Michigan law stipulates that the counting method to determine group size includes both “full-time employees” and “full-time equivalents,” also known as FTEs.

Group size is determined each calendar year and generally depends on the average size of an employer’s workforce during the prior calendar year.

Group definitions



Small group

A group with 50 or less total full-time employees, made up of both full-time employees and FTEs.



Large group

A group with 51 or more total full-time employees, made up of full-time employees and FTEs.

Employee types



Full-time employee: An employee receiving a W-2 form and employed on average at least 30 hours per week – or at least 130 hours per month.



FTEs: A calculated combination of all part-time employees, determined by an equation, as outlined below.

How to calculate the number of FTEs

Add the number of hours of all part-time employees for the month but do not include more than 120 hours per employee. Divide the total number of those hours by 120. This is your number of FTEs.

How to calculate the total number of full-time employees and FTEs

Add the number of FTEs to the total number of existing full-time employees. Generally, employers need to perform this calculation for each month of the prior calendar year. This is the sum of the number of full time employees and FTEs. Divide this number by 12 to obtain the full-time employee and FTE count.

Example

Full-time employees

ABC company has 30 full-time employees (employed 30 or more hours per week on average).



FTEs

ABC has 20 part-time employees who each work an average of 15 hours per week.

$20 \text{ employees} \times 15 \text{ hours per week} \times \text{four weeks} = 1,200.$

This is the total monthly hours worked by part-time employees.
 $1,200 \text{ hours} \div 120 = 10 \text{ FTEs}.$



Total number of full-time employees and FTEs

$30 \text{ full-time employees} + 10 \text{ FTEs} = 40 \text{ total number of full-time employees and FTEs}$

Perform this calculation for each month from the prior calendar year.

Add each month's total number of full-time employees and FTEs together and divide by 12. This will give you the total number of full-time employees and FTEs to determine if you are considered a small or large group.

This calculation could change the size of your group business. If your group changes in size, it could result in changes to:

- Government reporting requirements
- Health coverage requirements
- Potential tax credits
- Rating methods
- The types of plans available for purchase

HAP does not provide legal or human resources advice. However, we strive to help our clients by directing them to information that may be helpful. We encourage you to consult with an attorney or human resources professional well-versed in the Affordable Care Act.

We recommend employers review the following IRS web pages to learn more:

- General ACA employer information:
irs.gov/affordable-care-act/employers
- How to determine your group size:
irs.gov/affordable-care-act/employers/determining-if-an-employer-is-an-applicable-large-employer
- How to determine full-time employee status:
irs.gov/affordable-care-act/employers/identifying-full-time-employees
- Information on tax rules:
Small group: irs.gov/affordable-care-act/employers/affordable-care-act-tax-provisions-for-small-employers
Large group: irs.gov/affordable-care-act/employers/affordable-care-act-tax-provisions-for-large-employers

Choose HAP for all your small or large group needs

HAP's small group qualified health plans offer comprehensive benefits and comply with the Affordable Care Act. Our large group plans offer additional flexibility with a wide range of options. If you'd like to learn more, please contact your agent, your HAP representative or Health Alliance Administrators, Inc.