

PLAY-OR-PAY MANDATE POSTPONED

Employee Benefits Alert
July 3, 2013

Yesterday the Obama Administration indicated it would delay enforcement of the so-called “Play-or-Pay Mandate,” scheduled to become effective January 1, 2014. Compliance with the mandate is postponed until 2015. The mandate requires employers to offer affordable, minimum value health coverage to full-time employees or face potential penalties. The administration’s decision is not surprising. To begin with, the proposed regulations issued earlier this year fail to adequately address a number of significant issues. With time running short, it seems clear that additional guidance would not have been timely. In addition, compliance with the plan sponsor reporting requirements would have posed a major administrative burden at a time when employers — particularly employers in the restaurant, retail, agriculture, and home care industries — are scrambling to determine how to deal with the mandate. And while not cited as a reason for the enforcement delay, it was becoming increasingly clear that compliance with the mandate might cause employers to cut jobs or reduce hours (and wages) or both, consequences diametrically opposed to the stated purpose of the mandate.

The decision to delay the effective date of the Play-or-Pay Mandate does not postpone the requirement that U.S. citizens maintain health coverage or pay a penalty. The individual mandate is still scheduled to become effective January 1, 2014.

Formal guidance regarding the postponement of the Play-or-Pay Mandate is expected next week. We will communicate future developments as they occur.

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