A Guide to §4980H Look-Back Measurement Method Updated January 2026

A guide to determining full-time status for new and ongoing employees for applicable large employers choosing to use the look-back measurement method!

Contents

General Rules

§4980H Offer of Coverage Requirements

Applicable large employers – those who averaged 50 or more full-time equivalents (FTEs) in the previous calendar year – are required to offer minimum value, affordable coverage to full-time employees (and their dependent children) to avoid potential penalties under §4980H. Full-time status for this purpose is defined as 30 or more hours of service per week, or 130 or more hours of service per month. Hours of service include all time payable, including vacation, sick leave, PTO, etc.

To determine full-time status, applicable large employers (ALEs) may count hours of service using one of two measurement methods, the monthly measurement method or the look-back measurement method. The chosen measurement method must be used consistently for all employees, or at least all hourly employees. The regulations indicate that employers may differentiate between the monthly measurement method and the look-back measurement method, or differentiate how the look-back measurement method applies (e.g., length, dates), only for the following:

- Hourly and salaried;
- Union and non-union;
- Different geographic locations; and
- Different entities within the same controlled group or affiliated service group.

This guide focuses on the rules for ALEs who choose to use the look-back measurement method.

Look-Back Measurement Method Background

Employers may average hours of service over a period of 3–12 months (the employer's choice) to determine full-time status. If the employee averages full-time hours of service during the measurement period, the employee is then considered full-time for a corresponding stability period generally matching the length of the measurement period. In other words, the employee will remain benefit eligible for the duration of the corresponding stability period, regardless of hours worked during that time (subject to certain exceptions). It is common for employers to use a 12-month measurement and stability period because it can be aligned with the plan year and requires measurement and enrollment only once per year; however, some employers prefer a 6-month cycle to provide additional flexibility. It is not recommended that employers use anything less than 6 months due to a special rule that requires a stability period of at least 6 months for those who earn full-time status. The look-back measurement method requires a bit more administration and less flexibility than the monthly measurement method, but for employers that have many employees crossing back and forth between part-time and full-time status from month to month (i.e., variable hour employees) or a significant number of seasonal employees, this is usually the more appropriate measurement method choice.

Standard Cycle (for Ongoing Employees)

Only those who are "ongoing employees" (i.e., those employed for at least one full standard measurement period) will be measured in the standard cycle. Those who have not yet been employed for one full standard measurement period are subject to special rules for new hires (see next subsection below).

The standard cycle is made up of three parts:

1. The ***standard measurement period (SMP)*** can be anywhere from 3–12 months. It is not required to be based on calendar months but rather could be aligned with the employer's payroll cycles to enable hours of service to be tracked more easily.
2. The ***administrative period*** (the time between the end of the measurement period and the beginning of the stability period) cannot exceed 90 calendar days.
3. The ***stability period*** must generally match the length of the measurement period but cannot be less than 6 months for those who earn full-time status. Unlike the SMP, it must be based on calendar months, and it is generally aligned with the employer's medical plan year.

Example 1: 12-Month Cycle for Calendar Year Plan

Employer could use the following:

- SMP: November–October (or perhaps mid-October to mid-October to align with the payroll cycles)
- Administrative Period: November–December (or mid-October through December)
- Stability Period: January–December

Employees with 1,560 or more hours of service during the SMP are considered full-time and should be offered coverage for the January-December stability period.

Example 2: 6-Month Cycle for Calendar Year Plan

Employer could use the following:

- SMP: November–April and May–October
- Administrative Period: May–June and November–December
- Stability Period: January–June and July–December

Employees with 780 or more hours of service during the SMP are considered full-time and should be offered coverage for the January–June and July–December stability periods as applicable.

***It is necessary to count all time paid (including things such as holidays, PTO, and sick time).

Initial Cycle (for New Hires)

Full-time new hires are offered coverage after the plan's regular waiting period (e.g., on the 1st of the month following 60 days) and then transitioned into the standard cycle with the rest of the ongoing employees. Such an employee is measured monthly until the employee has been employed for one full standard measurement period.

New hires categorized as part-time, variable hour, or seasonal (see definitions below) upon hire may be subjected to an initial measurement period. Regardless of hours worked during the initial measurement period, unless there is a formal status change to full-time, there is no obligation to offer coverage until the employee has completed the initial measurement period and is determined to be full-time. This is true even if the employees' hours of service are 130 or more during some months of the initial measurement period.

Variable Hour Employee

A “variable hour” employee is an employee who based on the facts and circumstances at the start date, it cannot be determined that the employee is reasonably expected to work at least 30 hours per week for the entire measurement period. However, the employer cannot take into account that the employment is expected to be temporary or short-term.
The final rules provided some factors to consider when making the determination between variable hour and full-time, which include:

- whether the employee is replacing an employee who was or was not a full-time employee;
- the extent to which employees in the same or comparable positions are or are not full-time employees; and
- whether the job was advertised or otherwise communicated or documented to the new hire (e.g., through a contract or job description), as requiring hours of service that would average 30 or more hours of service per week or less than 30 hours of service per week.

Seasonal Employee

A “seasonal” employee is an employee in a position for which the customary annual employment is six months or less. The reference to “customary” means that by the nature of the position, an employee in this position typically works for a period of six months or less, and that period should begin each calendar year in approximately the same part of the year, such as summer or winter.

Initial Cycle Parts

The initial cycle for part-time, variable hour, and seasonal employees is made up of three parts:

- The ***initial measurement period (IMP)*** can be anywhere from 3–12 months, and it generally matches the length of the standard measurement period. The measurement for such new hires may begin any time between the date of hire and the 1st of the month following, but most employers choose to use the 1st of the month following the date of hire for administrative ease.
- The initial ***administrative period*** (the time between the end of the IMP and the beginning of the stability period associated with the IMP) cannot exceed 90 calendar days; however, those determined to be full-time during the initial measurement period must be offered coverage no later than 13 and a partial month from date of hire if they are determined to be full-time.
- Therefore, if the employer chooses a 12-month initial measurement period, there could be only a 1-month administrative period.
- The ***stability period*** associated with the IMP must match the length of the standard stability period used for ongoing employees.

Example: Employee hired July 18, 2026 as a variable hour or part-time employee. Employer has a calendar year plan and uses a 12-month measurement and stability period.

Employee is measured August 1, 2026 – July 31, 2027 (the IMP). Since the IMP is 12 months, the administrative period can only be for 1-month during August 2027. If the employee achieved 1,560 or more hours of service during the IMP, the employee is considered full-time and requires an offer of coverage for September 2027 – August 2028 to avoid any potential penalties under §4980H.

Break in Service Rules

The break in service rules require an employee who is rehired or reinstated within less than 13 weeks (26 weeks for an educational organization) to be treated as a "continuing employee." For a continuing employee, the following rules would apply:

- If the employee was previously covered before the break in service, the employee must be given the option to reinstate coverage as soon as administratively possible if the employee is considered full-time upon rehire (on the 1st of the month following rehire). If the employee previously waived coverage, a new offer of coverage would not be required until the next open enrollment period.
- The measurement and stability periods continue as if the employee had never left, although no hours of service are credited during the break in service unless it was a leave of absence due to FMLA, USERRA, or jury duty ("special unpaid leave"). If the leave was "special unpaid leave," and the employee is considered a continuing employee, the employer is required to either exclude the leave or to impute hours for the leave when measuring hours to determine full-time status for the next stability period.

If the break in service was 13 weeks or longer (26 weeks or longer for an educational organization), the employee may be treated as a new hire, allowing the employer to impose a new waiting period or initial measurement period as applicable upon a rehire or return to work (no "special unpaid leave" rules apply requiring the employer to exclude the leave or impute hours when the employee may be treated as a new hire).

New Hires

Full-Time New Hires

A full-time employee isn't ever subject to an initial measurement period (IMP). An IMP is applicable only to a variable hour, seasonal, or part-time new hire. Based on information available at hire, an employee who is reasonably expected to average full-time hours should be offered coverage after the plan waiting period. Under §4980H rules, coverage must be offered no later than 1st of the 4th full month following hire, but separate waiting period rules generally limit the waiting period to 90 calendar days or less. **Prior to completion of one full standard measurement period (SMP), a full-time new hire's status as part-time or full-time is determined on a monthly basis**. Even upon a move to variable hour or part-time status, the employee will continue to be measured monthly until after the employee has completed one full SMP. Once a full-time employee has been employed for a full SMP, then that employee becomes "ongoing," and hours are measured over the SMP to determine full-time status for the associated stability period.

Example: Employee hired February 12, 2026 and expected to average full-time hours. Employer has a calendar year plan and uses a 12-month measurement and stability period.

- Employee should be offered coverage after the plan waiting period (e.g., 1st of the month following 60 days), but no later than June 1, 2026.
- Employee is measured monthly March 2026 – December 2027. For any month during this time in which the employee does not maintain 130 or more hours of service, the employee is part-time and an offer of coverage is not required.
- Employee is measured November 2026 – October 2027 (the SMP) along with the rest of the ongoing employees and then requires an offer of coverage for the 2028 plan year if the employee achieved 1,560 or more hours of service during the 2026 – 2027 SMP.

New Part-Time, Variable Hour, and Seasonal Hires

New part-time, variable hour, and seasonal hires may be put into an initial measurement period (IMP) of up to twelve (12) months. The IMP may begin at any time between the date of hire and the 1st of the month following the date of hire. So, for example, an IMP for a new non-full-time hire who begins work on October 15, 2026, could either begin on that date (and run through October 14, 2027), or it could begin on November 1, 2026 (and run through October 31, 2027). Most employers choose to use first of the month following the date of hire to reduce the number of tracking dates.

If the employer wishes to apply any administrative period to the IMP, then the combined IMP and administrative period can't extend beyond the 1st of the month following the first full calendar month following a year after the employee's date of hire. This ends up being 13 and a fraction months. For example, in the case of an employee hired October 15th, the stability period would need to begin (and coverage be offered) no later than December 1st of the following year. If the employee averages full-time hours of service during the IMP (e.g., achieves 1,560 or more hours of service over 12 months, or 780 or more hours of service over 6 months), then coverage should be offered for the entirety of the associated stability period. And if the employee does not average full-time hours of service during the IMP, then no offer of coverage is required.

In either case, the employer should also measure the employee under the first SMP that applies after the date of hire (i.e., the measurement period the employer is using for its ongoing employees). Just like a full-time new hire, an employee hired as part-time/variable hour/seasonal who remains employed for the duration of a full SMP will then become an "ongoing employee" (and the terms "part-time," "variable hour," or "seasonal" will no longer apply). If at the end of the SMP the employee averaged full-time hours of service, the employer must make an offer of coverage for the stability period associated with the SMP. This is true even if the employee didn't average full-time hours of service under the IMP and that associated stability period hasn't ended yet.

Example: Employee hired March 14, 2026, as a variable hour or part-time employee. Employer has a calendar year plan and uses a 12-month measurement and stability period.

- Employee is measured April 1, 2026 – March 31, 2027 (the IMP). If the employee achieved 1,560 or more hours of service during the IMP, the employee is considered full-time and requires an offer of coverage May 2027 – April 2028.
    - Alternatively, the employer may use an 11-month IMP and 2-month administrative period (allowing a bit more time for administration). The stability period is still required to be 12 months to match the SMP. In this case, the employee is measured April 1, 2026 – February 28, 2027 (the IMP). If the employee achieved 1,430 or more hours of service during the IMP, the employee is considered full-time and requires an offer of coverage May 2027 – April 2028.
- Employee is also measured November 2026 – October 2027 (the SMP) along with the rest of the ongoing employees and then requires an offer of coverage for the 2028 plan year if the employee achieved 1,560 or more hours of service during the 2026 – 2027 SMP.

Temporary/Short-Term Employees & Interns

In general, there are no special rules or exceptions for temporary employees or interns. Therefore, if a temporary employee or intern is hired to work full-time, and the employer is considered the common law employer, the temporary employee or intern should be treated just like any other full-time employee—i.e., measured monthly until the temp/intern remains employed for one full SMP and, if full-time, offered coverage after the employer's waiting period.

The above is true unless the temporary employee or intern meets the definition of a "seasonal employee" AND the employer is using the look-back measurement method. In this case, the temp/intern may be treated like any other seasonal employee and placed into an IMP.

Changes Prior to the First Stability Period

Full-Time New Hires

If there is a change in status from full-time to part-time prior to completion of one full SMP (i.e., before the employee becomes "ongoing"), the employer has the option to terminate coverage as early as the first month in which the employee achieves fewer than 130 hours of service. However, coverage would need to be reinstated upon regaining full-time status in any subsequent month. For this reason, if the move to part-time status is permanent and the employer fully expects the employee to remain part-time each month, it would make sense to terminate coverage right away and offer COBRA continuation coverage. On the other hand, if hours may vary from month to month, it might be better to: (a) leave coverage in place until the first applicable stability period; or (b) implement a policy of waiting 3–4 months and then, if hours truly stay part-time, terminate coverage at that time.

Upon completion of the first SMP (e.g., November–October for a calendar plan year), status determination on a monthly basis ends and ongoing eligibility is determined along with the rest of the ongoing employees.

Variable Hour, Seasonal or Part-Time New Hires

A variable hour, seasonal, or part-time employee subject to an IMP based on date of hire who experiences a formal change in status to full-time prior to the first stability period must then be offered coverage the earlier of:

- The 1st of the 4th month following the change in status; or
- The beginning of the first stability period.

Most employers apply the normal plan waiting period upon a change in status to a regular full-time position prior to the first stability period, which will generally comply with these rules.

Example: Employee hired April 16, 2026, as a variable hour or part-time employee. Employer has a calendar year plan and uses a 12-month measurement and stability period. Employee moves to a regular full-time position on December 1, 2026.

- Employee is measured May 1, 2026 – April 30, 2027 (the IMP).
- When the employee moves to a regular full-time position on December 1, 2026, an offer of coverage must be made no later than March 1, 2027 (or sooner if the employer applies its standard waiting period).
- Employee is also measured November 2026 – October 2027 (the SMP) along with the rest of the ongoing employees and then requires an offer of coverage for the 2028 plan year if the employee achieved 1,560 or more hours of service during the 2026 – 2027 SMP.

NOTE: If an employee's hours simply vary between part-time and full-time from month to month rather than there being a formal change to a full-time position, there is no requirement to make an offer of coverage for months in which the employee achieves 130 or more hours of service during the IMP. Instead, the employer may wait and measure the employee's average hours of service at the end of the IMP to determine whether an offer of coverage is required.

Changes After the First Stability Period Begins

Ongoing Employees

For an ongoing employee, the label (e.g., full-time, part-time, variable hour) no longer applies. Instead, status as part-time or full-time is based on hours of service from the previous measurement period.

Reduction in Hours During the Stability Period

If the employee is determined to be full-time based on the previous measurement period, the rules generally require that the employee be offered coverage through the entire stability period unless employment is terminated or nonpayment occurs.

There is an exception for a regular full-time employee, offered coverage after the waiting period upon hire and continuously offered coverage since then, who moves to a part-time position during a stability period. In this case, coverage may be dropped on the 1st of the 4^{th} month following the change in status to part-time so long as the employee has actually worked part-time hours for the 3 months following the change in status. The employee may be measured monthly for the remainder of the measurement period and for the following measurement period, until the next stability period begins.

Rather than following the general stability period rule or the 4^{th} month exception described above, some employers terminate active coverage and offer COBRA immediately upon a reduction in hours during the stability period. The employer's offer of COBRA would satisfy the requirement to offer minimum essential coverage to a full-time employee, but as COBRA coverage typically will not be affordable, the employer risks a §4980H(b) penalty for months the employee is still considered full-time under the look-back measurement method rules. If the employee waives COBRA and enrolls in subsidized Marketplace coverage, the employer would owe a §4980H(b) penalty of approximately $415/month. Some employers may decide that the penalty risk is acceptable, especially when weighing the potential penalty amount against the cost of continuing to offer active coverage to the employee.

Assume employer has a calendar year plan and uses a 12-month cycle for these examples.

Example 1: Switch to Part-Time During Stability Period. Employee initially hired as full-time and offered coverage continuously after the plan waiting period.

- Employee was hired full-time April 12, 2022 and offered coverage effective July 1, 2022 after the plan waiting period and has been offered coverage continuously since then.
- Employee was determined to be full-time during the most recent SMP (November 2024 – October 2025) and was made an offer of coverage for the 2026 plan year.
- On March 1, 2026, the employee switches to a part-time position. Employer may terminate coverage effective June 1, 2026 (i.e., 1st of the 4th month following the change in status to part-time) if the employee has less than 130 hours of service per month during March, April, and May of 2026.
- Employee is measured monthly for the remainder of the current stability period (the remainder of 2026), and throughout the following SMP. For any month up through December 2027 in which the employee does not maintain 130 or more hours of service, the employee is part-time and an offer of coverage is not required.

- Employee is also measured November 2026 – October 2027 (the SMP) along with the rest of the ongoing employees and requires an offer of coverage for the 2028 plan year if the employee achieved 1,560 or more hours of service during the 2026 – 2027 SMP.

Example 2: Switch to Part-Time During Stability Period. Employee initially hired as variable hour, subject to an IMP.

- Employee measured full-time during the 2024 – 2025 SMP and is offered coverage for the 2026 plan year.
- Employee switches to part-time status on March 1, 2026. In this case, the exception for a switch to part-time status during the stability period would not apply since the employee was not initially hired as full-time and offered coverage continuously after the plan waiting period (the employee was subject to an IMP). Therefore, the employee is considered full-time and requires an offer of coverage through the remainder of the current stability period (the remainder of 2026).
- Employee is measured November 2025 – October 2026 (the SMP) along with the rest of the ongoing employees and requires an offer of coverage for the 2027 plan year if the employee achieved 1,560 or more hours of service during the 2025 – 2026 SMP.

Example 3: Switch to Part-Time During Stability Period. Employee initially hired as variable hour, subject to an IMP.

- Same facts as Example 2, except employer terminates active coverage effective March 1, 2026 and offers COBRA.
- Employee waives COBRA, enrolls in coverage through a public Marketplace, and qualifies for a premium tax credit effective March 1, 2026. Employer is assessed a §4980H(b) penalty for the employee for months March – December 2026. The total penalty is $5,010 ($417.50 per month x 10 months).
- Employee is measured November 2025 – October 2026 (the SMP) along with the rest of the ongoing employees and requires an active offer of coverage for the 2027 plan year if the employee achieved 1,560 or more hours of service during the 2025 – 2026 SMP to avoid risk of §4980H(b) penalty for the 2027 plan year.

Promotion Full-Time Status During the Stability Period

If the employee is part-time based on the previous measurement period, the rules allow the employer to treat the employee as part-time through the entire stability period even if there is a change in status to full-time. The employer is under no obligation to provide an offer of coverage during the current stability period; however, many employers choose to go ahead and offer coverage upon a move to full-time status (common practice is to apply the standard waiting period upon the change in status to full-time rather than waiting for the next stability period). It is okay to be more generous than the rules require.

Example: Switch to Full-Time During Stability Period. Employer has a calendar year plan and uses a 12-month measurement and stability period.

- Employee was determined to be part-time during the most recent SMP (November 2024 – Oct 2025) and therefore does not require an offer of coverage for the 2026 plan year.

- In March of 2026, the employee switches to a full-time position. Employer is not obligated to offer coverage to the employee for the remainder of the 2026 stability period, although the employer may voluntarily do so (e.g., after the plan waiting period).
- Employee is measured November 2025 – October 2026 (the SMP) along with the rest of the ongoing employees and requires an offer of coverage for the 2027 plan year if the employee achieved 1,560 or more hours of service during the 2025 – 2026 SMP.