Have you done your ACA affordability cost-share homework for the 2020 health plan year?

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Under the Affordable Care Act (ACA), applicable large employers are required to offer minimum essential coverage (that is both affordable and meets the minimum value standard) to at least 95 percent of their eligible full-time equivalent employees. Employer penalties may be assessed in two tiers if the employer fails to offer minimum essential coverage to at least 95 percent of eligible employees and/or the coverage is not affordable and the employees enroll in Marketplace plans.

Minimum value plans must meet both of the following requirements:

- Plan is designed to pay at least 60 percent of the total cost of medical services for a standard population.
- Plan benefits include substantial coverage of physician and inpatient hospital services.

Affordable plans must meet one of these safe harbor methods of calculating affordability:

- Hourly rate of pay – For 2020, a plan is affordable if the cost of single coverage does not exceed 9.78 percent of the company's lowest-paid full-time employee's salary. This is a lower percentage than last year, which is rare because most ACA amounts are indexed higher each year for inflation. For example, an employer using the hourly rate of pay safe harbor percentage above can charge an employee earning $12 per hour a premium of $152 per month ($12 x 130 working hours per month = $1,560 x 9.78% = $152.56).
- Federal Poverty Level (FPL) – Alternatively, employers can use the federal poverty level safe harbor to determine affordability. Since that figure is announced later in 2020, employers may use the 2019 FPL number to determine

affordability for 2020. Under the FPL, the employee's cost is capped at $101.79 per month for 2020.

- W-2 – Finally, employers can use the amount in an employee's W-2 Box 1 on the first day of the plan year and confirm that the annual cost of coverage does not exceed 9.78% of Box 1 for the entire household. Ideally, the employer should use the entire household's income to determine affordability. It is advisable to utilize all household W-2 information if you have access to it. Compare the affordability percentage against the organization's lowest household income among employees eligible for health care coverage.

  Cost of coverage requires some math, too. For the above calculation, use the lowest priced self-only coverage offered. (You may ignore dependents and actual coverage plan selected by the lowest-paid employee.) Compare the cost of coverage against the employee's rate of pay for a 30-hour workweek divided by 130 hours per month. (You may ignore actual work hours and schedule for the lowest-paid employee who is eligible for health care coverage.)

  Choose one method to meet the safe harbor and stick with it through the entire plan year. If you want to choose another method, you must wait until the following plan year.

Other ACA-related questions:

- Am I an applicable large employer?

  According to the IRS, applicable large employers have 50 or more full-time or full-time equivalent employees on average during the prior year.

- What does it mean for employees who still choose Marketplace plans after you offer them affordable coverage?

  Employees should be aware of how declining or canceling job-based insurance can impact their cost and coverage.

- Where can small employers (<50 FTEs) purchase health care coverage?

  Small businesses can purchase Small Business Health Options Program (SHOP) plans through the SHOP Marketplace.

- Thinking about offering an Individual Coverage Health Reimbursement Arrangement (ICHRA)?

  Employers can offer ICHRAs and meet ACA shared responsibility requirements. The DOL, HHS and IRS issued a final rule in June 2019 explaining how these accounts can now meet ACA requirements.

- Will I get caught if I fail to report the correct information?

  Be sure to report information timely and carefully to the IRS so that your offer of affordable coverage is properly documented to avoid penalties.

- Has the "Cadillac Tax" been repealed yet?

  The so-called "Cadillac Tax" was delayed twice but has not yet been repealed. It will tax employers who provide high-cost health care coverage in 2022 if not addressed before then.

Authors

