

June 18, 2018

ACA Affordability Threshold Increased for 2019

The IRS issued *Revenue Procedure 2018-34*, which sets the 2019 affordability threshold for the Affordable Care Act (ACA) employer mandate at 9.86 percent.

ACA Affordability Refresher

For purposes of the ACA employer mandate, coverage is Affordable only if the employee's contribution or share of the premium for the lowest cost, self-only coverage for which he or she is eligible does not exceed a certain percentage (starting at 9.5 percent in 2014, and adjusted for inflation) of the employee's household income.

In response to the employer community's concern about having to determine household income of their employees, the IRS issued safe harbors to allow employers to rely on any of three other, more easily discoverable figures:

W-2 Safe Harbor. Generally, an employer meets this safe harbor if the lowest cost, self-only coverage that provides minimum value during the entire calendar year does not exceed a specified percentage (9.5 percent in 2014, as adjusted) of the employee's Form W-2 wages from the employer for the calendar year.

Rate of Pay Safe Harbor. Coverage will be deemed affordable if the employee's monthly contribution (again, for lowest cost, self-only coverage that provides minimum value) is equal to or less than a specified percentage (9.5 percent in 2014, as adjusted) of monthly wages. For hourly employees, this is based on multiplying the applicable hourly rate times 130. For salaried employees, the monthly salary is used for this purpose.

Federal Poverty Line Safe Harbor. An employer will satisfy this safe harbor if the employee's required contribution for the lowest cost, self-only coverage that provided minimum value does not exceed a specified percentage (9.5 percent in 2014, as adjusted) of the amount determined based on the federal poverty line for a single individual for the applicable calendar year.

The table below summarizes the safe harbor rules and applies them for 2018 and 2019.

Penalties

Generally, if an employer fails to offer affordable coverage, then the employer is subject to the Employer Shared Responsibility Payment for each full-time employee for which coverage is not affordable and such employee obtains subsidized coverage through the Marketplace. The payment is computed separately each month. The amount of the payment for the month equals the number of full-time employees who receive a premium tax credit due to unaffordable coverage for that month multiplied by 1/12 of the penalty amount (indexed for inflation, \$3,000 starting in 2015; \$3,480 in 2018).

Plan sponsors should review plan design relating to employee premium contributions for 2019, to make sure they meet the new affordability threshold.

Questions? Speak with your Findley consultant or contact Dave Barchet at dave.barchet@findley.com (216.875.1914) or Jason Rothman, JD at jason.rothman@findley.com (216.875.1907).

Safe Harbor Definition	2018 Plan Year	2019 Plan Year
W-2 Wages	Annual contribution is at most 9.56 percent of 2018 W-2 wages.	Annual contribution is at most 9.86 percent of 2019 W-2 wages.
Rate of Pay	Monthly contribution is at most 9.56 percent of monthly wages.	Monthly contribution is at most 9.86 percent of monthly wages.
Federal Poverty Line	Monthly contribution is at most 9.56 percent of the federal poverty line divided by 12. (0.0956*(\$12,060/12)= \$96.08)	Monthly contribution is at most 9.86 percent of the federal poverty line divided by 12. (0.0986*(\$12,140/12)= \$99.75)