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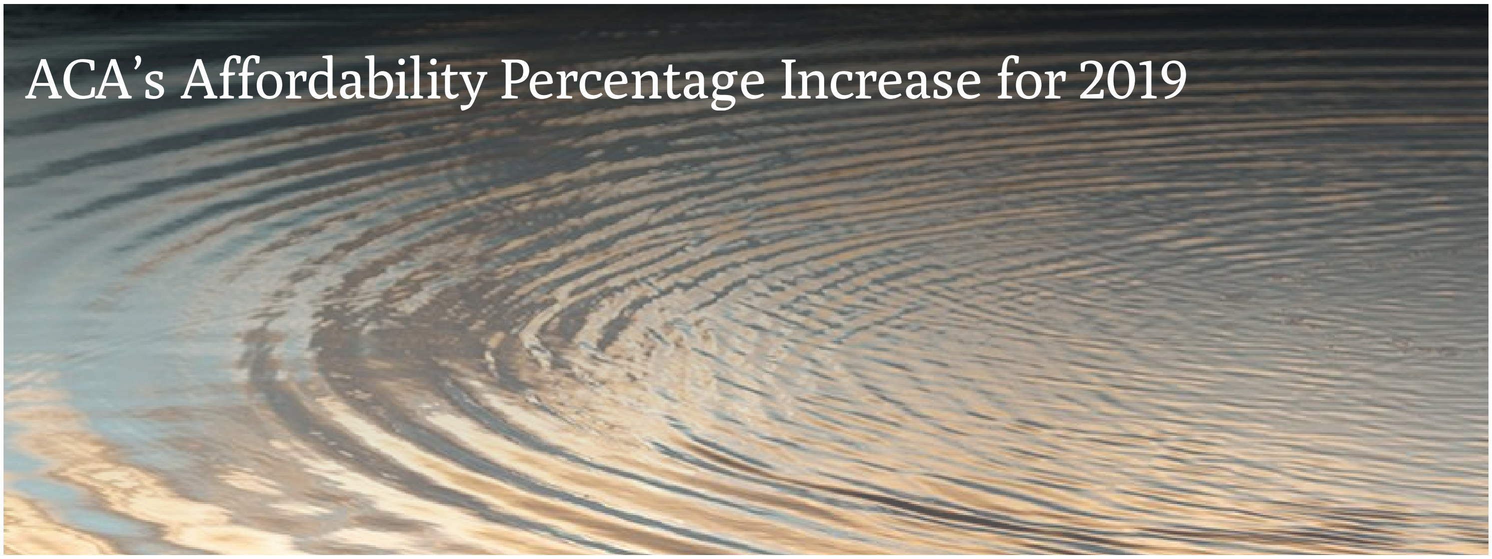
BLOG

ACA's Affordability Percentage Increase for 2019



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The IRS published its annual inflation adjustment to the percentage of household income used to determine whether an employer's offer of health care coverage under the Affordable Care Act (ACA) is affordable in 2019. By way of background, self-only coverage could not exceed 9.56% of an employee's household income for the year 2018 and meet the affordability test under the ACA. Under safe harbor rules (available because an employer may not necessarily know what an employee's household income is), this meant the employee's share of the cost of self-only coverage could not exceed 9.56% of (i) the employee's W-2 Box 1 wages, (ii) the employee's hourly rate of pay multiplied by 130, or (iii) the Federal Poverty Line (FPL) for a household of one. The affordability benchmark for 2019 has been increased from 9.56% to 9.86%. The reason this is important is because under the ACA, applicable large employers are required to offer full-time employees minimum essential coverage that provides minimum value that is affordable, or face steep penalties.

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