

HCR ALERT

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IRS Announces ACA Health Plan Affordability Threshold For 2019

The Internal Revenue Service (IRS) recently announced in [Revenue Procedure 2018-34](#) that the employee contribution affordability threshold used to determine whether an individual is eligible for an Affordable Care Act (ACA) premium tax credit will increase from 9.56% of income in 2018 to 9.86% of income in 2019. This same percentage will apply in determining whether an employer could be subject to an ACA shared responsibility (“employer mandate”) penalty for 2019.

Under the ACA, an individual is not eligible for a Marketplace premium tax credit if the individual is offered coverage under an eligible employer-sponsored plan that is “affordable”, which is defined as having a required employee contribution for self-only coverage that does not exceed the designated percent of income, based on total household income. However, because employers’ lack of information about employee household income would make planning difficult for employers, the [final employer mandate regulations](#) grant employers “safe harbor” from potential penalty on the basis of affordability if the required employee contribution for self-only coverage in the lowest-cost eligible employer-sponsored plan does not exceed the designated percent of income, based on: a) an employee’s W-2 Box 1 income, b) a figure calculated using an employee’s rate of pay, or c) the mainland U.S. Federal Poverty Level for an individual.

The ACA statute set the initial affordability threshold at 9.50% for 2014 and provided a formula for annual indexing adjustments for plan years thereafter. In general, annual adjustments to the affordability threshold are based on 2-year change in per capita cost for employer-sponsored health plans, divided by 2-year change in per capita U.S. Gross Domestic Product.¹ Below is a summary of the annual percentage adjustments through 2019:

2014	2015	2016	2017	2018	2019
9.50%	9.56%	9.66%	9.69%	9.56%	9.86%

Although some continued political interest in “repealing and replacing” the ACA in whole or in part leaves its future in question, for now, it is still the law of the land and employers should continue to execute their compliance plans. Accordingly, employers that are subject to the employer mandate should keep these adjusted affordability thresholds in mind as they develop their contribution strategies for the 2019 plan year.

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Your Trion Strategic Account Managers are here to answer any questions you might have as you prepare to comply with upcoming ACA requirements. If you are not currently a Trion client and would like assistance navigating the changes required by health care reform, please contact us today by emailing trionsales@trion-mma.com.

¹Per capita employer-sponsored health plan cost and per capita U.S. Gross Domestic Product figures are based on the National Health Expenditure Projections published by the Centers for Medicare and Medicaid Services.

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