



REQUIREMENTS FOR EMPLOYER-SPONSORED COVERAGE

✓ MINIMUM ESSENTIAL COVERAGE

An applicable large employer (ALE) must provide minimum essential coverage (MEC) as employer-sponsored coverage to at least 95% of full-time employees (on average 30 hours/week or 130 hours/month) that meets two criteria in order to avoid a penalty:

- Affordability – cost of self-only coverage is less than 9.61% of employee's household income or safe harbor criteria.
- Minimum value – plan covers at least 60% of total allowed cost of medical and prescription services.

✓ AFFORDABILITY

The final regulations include three optional safe harbors that may be used to determine whether coverage is affordable since an employer generally will not know an employee's household income:

- W-2 – employee's contribution annually does not exceed 9.61% of *Form W-2*, Box 1.
- Rate of pay
 - Salaried employee's contribution per month is less than or equal to 9.61% of their monthly income.
 - Hourly employee's contribution is less than or equal to 9.61% based on rate of pay as of beginning of plan year, multiplied by 130 hours per month.
- Federal poverty level (FPL) – employee's contribution for self-only coverage does not exceed 9.61% of FPL based on guidelines in effect six months prior to beginning of plan year.

Key points for application of affordability factors:

- Employer must offer coverage annually and allow employee to decline unless it is minimum value coverage at no cost or it meets affordability test, regardless if eligible for other coverage.
- If an employer offers more than one health plan option, the affordability test applies to the lowest-cost self-only coverage option available to the employee that provides minimum value coverage.
- Employee's contribution may be reduced by a credit under a flexible benefit plan that cannot be paid as a taxable benefit but may be applied toward the purchase of MEC and may be used exclusively for medical care.
- Health coverage for dependents does not apply to the test.

✓ MINIMUM VALUE

Employer-sponsored coverage must be of a minimum value of at least 60%:

To calculate minimum value, divide the cost of essential health benefits (EHB) paid by the plan for the standard population by the total cost of certain benefits EHB for the standard population, including amounts the plan and the employee pay through cost-sharing – then convert to a percentage.

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