

HCR ALERT

May 15, 2017

IRS Announces Reduced ACA Health Plan Affordability Threshold For 2018

The Internal Revenue Service (IRS) recently announced in Revenue Procedure 2017-36 that the employee contribution affordability threshold used to determine whether an individual is eligible for an Affordable Care Act (ACA) premium tax credit will decrease from 9.69% of income in 2017 to 9.56% of income in 2018. This same percentage will apply in determining whether an employer could be subject to an ACA shared responsibility (“employer mandate”) penalty for 2018.

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 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 2018:

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

Although ongoing Republican efforts to “repeal and replace” the ACA leave 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 2018 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.

ACA Regulations & Guidance Issued In the Last Two Months

- May 2017: IRS Issues [Rev. Proc. 2017-36, 2018 Affordability Threshold & Marketplace Required Contribution Percentages](#)
- May 2017: President Issues [Executive Order Regarding Addressing Contraceptive Coverage](#)
- May 2017: House Passes [American Health Care Act \(AHCA\)](#)
- Apr. 2017: HHS Issues [Final Market Stabilization Rule](#)
- Apr. 2017: HHS Issues [FAQ on QHP Good Faith Compliance Policy](#)
- Apr. 2017: HHS Issues [Guidance on State Review of QHP Certification Standards](#)

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.