



## Affordability Threshold Increases In 2019

The IRS announced on May 21, 2018 the 2019 increase on the shared-responsibility affordability percentage in [Revenue Procedure 2018-34](#).

For plan years beginning in 2019, the Affordable Care Act's (ACA) affordability contribution percentages are increasing as follows:

- 9.86% under the pay or play rules
- 9.86% under the premium tax credit eligibility rules
- 8.3% under an exception from the individual mandate\*

\* it should be noted that as a result of the tax reform bill (Tax Cuts and Jobs Act), beginning in 2019 the ACA's individual mandate has been reduced to zero. This means that individuals will not have a penalty for failing to secure qualified health insurance coverage. However, the 2019 Notice of Benefit and Payment Parameters final rule notes that individuals may still need to seek this exemption for 2019 and future years (for example, in order to be eligible for catastrophic coverage).

The IRS provides employers three (3) [Affordability Safe Harbors](#), which can be used in place of household incomes, since it's likely employers don't know their employee's household incomes.

- The employee's **W-2 wages**—as reported in box 1—generally as of the first day of the plan year.
- The employee's **rate of pay**—hourly wage rate multiplied by 130 hours per month—as of the first day of the plan year.
- The individual **federal poverty level** as of six months prior to the beginning of the plan year, since the FPL isn't published for a given year until January.

If you are an employer that utilizes the federal poverty level safe harbor to develop employee contributions for self-only coverage in order to avoid ACA penalties under Section 4980H(b), in 2019 an employee's premium payment can't exceed \$99.75 per month. This is up \$3.67 per month from 2018.

Keep in mind there are other additional cost-sharing limits for 2019 employers should stay up to date on under the ACA, such as Minimum Value and Out-of-Pocket Maximum.

**Want to learn more? Contact AJM Associates for a complete evaluation of your employer sponsored healthcare coverages offered to employees at [info@ajmassoc.com](mailto:info@ajmassoc.com).**