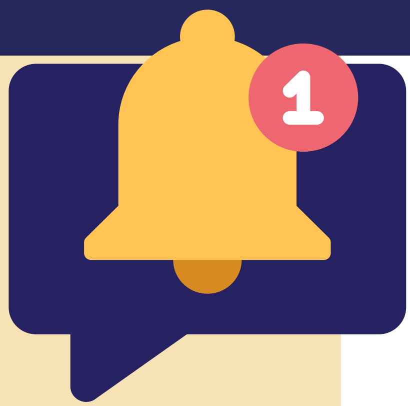
CENTERS FOR MEDICARE & MEDICAID SERVICES
CENTER FOR CONSUMER INFORMATION & INSURANCE OVERSIGHT

What Employers Need to Know About the Rule Change *For Affordability of Employer Coverage* for Family Members of Employees For Purposes of Eligibility for the Premium Tax Credit

The rule that defines for purposes of eligibility for the premium tax credit (PTC) whether an offer of employer-sponsored health coverage is affordable has changed. It is estimated that, as a result of this change about 1 million Americans will either gain coverage or see their insurance become more affordable, so it is important that employers are aware of what the rule change is, and what it means for their employees and dependents.

Background

Consumers who enroll in a Qualified Health Plan (QHP) through the Marketplace may be eligible for savings through PTC and/or cost sharing reductions (CSRs). Under the Patient Protection and Affordable Care Act (ACA), a consumer who has an offer of employer-sponsored coverage does not qualify for any of these financial assistance options unless the offer of coverage is considered unaffordable or fails to meet a "minimum value" standard. For 2023, a plan is considered "unaffordable" if the plan's premiums exceed 9.12 percent of the employee's household income. This percentage is referred to as the Required Contribution Percentage (RCP).



Employers can notify employees and their families who have offers of employer health coverage that they may have new opportunities for savings on HealthCare.gov, even if they were not eligible before. Employers can use the employer coverage tool for employees to help them input the correct information when they fill out a Marketplace application. If employees have questions, employers can direct them to HealthCare.gov or **1 (800) 318-2596** for further assistance.

What is changing?

The new rule on affordability of employer coverage for the family members of employees **changes how affordability is calculated for employees' family members and increases the number of consumers who have access to financial assistance through the Marketplace.** The New rule applies as of January 1, 2023.

Until now, employer coverage has been considered affordable for all family members to whom an employer's offer extends if the premium for the employee's self-only coverage was affordable. The premium required to cover any family members was not taken into account. As a result, all members of the employee's family would be ineligible for financial assistance through the Marketplace if the premium for the employee's self-only coverage was considered affordable.

Under the new affordability rule, if a consumer has an offer of employer coverage that extends to their family members, the affordability of employer coverage for those family members will be based on the family premium amount, not the self-only employee premium cost. As a result, members of the employee's family will be eligible for financial assistance through the Marketplace if the premium for the employee's family coverage is considered unaffordable.

If coverage is considered affordable for the employee but not the employee's family members, there are a variety of ways employees can obtain coverage for them and their family:

Split coverage (employer and Marketplace):

The employee could enroll in the affordable employer coverage, while their family members enroll in a Marketplace plan with APTC/CSRs (if otherwise eligible).

Marketplace coverage only:

The employee could decline the affordable employer coverage, and the whole family could enroll in a Marketplace plan. The family will pay full price for the employee's portion of the Marketplace plan premium, while other family members' portions would be lowered by using APTC and/or CSRs if they are otherwise eligible.

Employer coverage only:

The whole family could enroll in the employee's offer of employer-sponsored coverage. While someone is enrolled in employer coverage, they are not eligible for the APTC or CSRs for a Marketplace plan.

! Employees may be eligible for a 60-day Special Enrollment Period (SEP) if their offer of employer-sponsored coverage changes outside of Open Enrollment. In this situation, employers can recommend that their employees review their options.

Eligibility for Financial Assistance in the Marketplace

Scenario	Employee	Employee's Dependents	Summary
Self-only premium is less than 9.12% of the family income Family premium is less than 9.12% of the family income			Employee and family members are not eligible for financial assistance in the Marketplace
Self-only premium is less than 9.12% of the family income Family premium is more than 9.12% of the family income			Employee is not eligible for financial assistance Family members are newly eligible for financial assistance (if otherwise eligible)
Self-only premium is more than 9.12% of the family income Family premium is more than 9.12% of the family income			Employee and family members are eligible for financial assistance (if otherwise eligible)

Employer shared responsibility payments

This rule change does not impact the employer shared responsibility payment. Applicable large employers (ALEs) generally must offer coverage to full-time employees and their dependents, or they could potentially be subject to an employer shared responsibility payment if at least one full-time employee is allowed a premium tax credit. Although failure to offer coverage to full-time employees and their dependents may result in an employer shared responsibility payment, only the coverage offered to the full-time employee is required to be affordable. As the new rule does not change how affordability for an employee is determined, there is no change to the rules for determining ALEs' liability for the employer shared responsibility payments.