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What Employers Need to Know About Affordability of Employer Coverage For Purposes of Eligibility for the Premium Tax Credit

Consumers who enroll in a Qualified Health Plan (QHP) through the Marketplace may be eligible for financial assistance through the premium tax credit (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 through their own employer or the employer of a family member does not qualify for any Marketplace financial assistance unless the offer of employer-sponsored coverage is considered unaffordable or fails to meet a “minimum value” standard. For 2024, a plan is considered “unaffordable” if the plan’s premiums exceed 8.39 percent of the employee’s household income. This percentage is referred to as the Required Contribution Percentage (RCP).

How is affordability determined?

For an employee themselves, their offer of employer coverage is considered affordable in 2024 if the employee’s lowest cost option for a self-only premium is less than 8.39% of the employee’s household income.

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.

Please note, this may be different from previous years. Prior to plan year 2023, affordability for dependents with an offer of coverage was based on the premium for the employee’s self only coverage.

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:

If an employee and their family have offers of employer health coverage, they may be eligible for savings. 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 a Marketplace-registered agent or broker, HealthCare.gov or 1 (800) 318-2596 for further assistance.

- **Split coverage (employer and Marketplace):** The employee could enroll in the affordable employer coverage, while their family members enroll in a Marketplace plan with PTCs/CSRs (if otherwise eligible).
- **Marketplace coverage only:** The employee could decline the employer's offer of affordable 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 PTCs and/or CSRs if they are otherwise eligible.
- **Employer coverage only:** The whole family could enroll in the employer's offer of coverage. While someone is enrolled in employer coverage, they are not eligible for the PTC 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 8.39% of the family income Family premium is less than 8.39% of the family income	✗	✗	Employee and family members are not eligible for financial assistance in the Marketplace
Self-only premium is less than 8.39% of the family income Family premium is more than 8.39% 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 8.39% of the family income Family premium is more than 8.39% of the family income	✓	✓	Employee and family members are eligible for financial assistance (if otherwise eligible)

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How is affordability determined?

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 PTC. 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. There is no change to the rules for determining ALEs' liability for the employer shared responsibility payments.