Affordability of Employer Coverage for Family Members of Employees: “Fixing the Family Glitch”

October 2022

The information provided in this document is intended only to be a general informal summary of technical legal standards. It is not intended to take the place of the statutes, regulations, or formal policy guidance that it is based upon. This document summarizes current policy and operations as of the date it was presented. We encourage readers to refer to the applicable statutes, regulations, and other interpretive materials for complete and current information. This communication was produced and disseminated at U.S. taxpayer expense.

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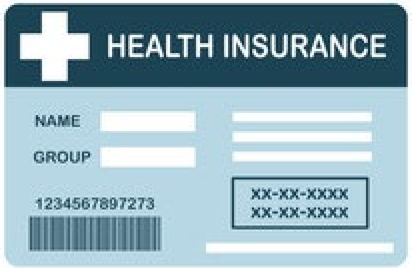
Job-based Coverage and Eligibility for Financial Assistance in the Marketplace

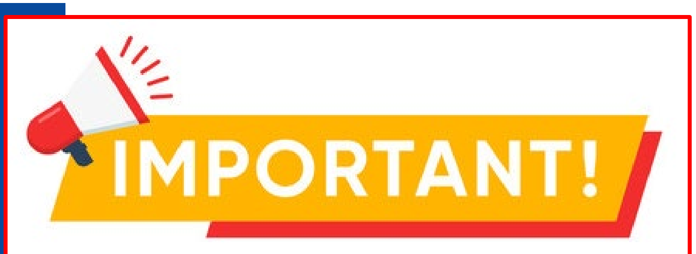
- If a consumer has an offer of job-based health coverage, they won’t qualify for advance payments of the premium tax credit (APTC) or cost-sharing reductions (CSRs) on a Marketplace plan if:
  - Their offer of job-based coverage meets the **minimum value standard**; AND
  - Their offer of job-based coverage is considered **affordable**.



Minimum Value Standard and Affordability

- The "minimum value standard" is an actuarial standard. A job-based plan meets the minimum value standard if it's designed to pay at least 60 percent of the total cost of medical services for a standard population and its benefits include substantial coverage of physician and inpatient hospital services. **Most job-based plans meet the minimum value standard**.
- For 2023, a plan is considered "affordable" if the plan's premiums do not exceed 9.12 percent of the employee's household income.

What’s Changing?



- Until now, a job-based plan 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.
- The Internal Revenue Service (IRS) issued new regulations that apply starting in Plan Year (PY) 2023. 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.
  - This will help more consumers qualify for APTC and CSRs through the Marketplace.

Scenario #1: Affordability and APTC Eligibility

- Paul and Lisa are married and will file a joint tax return. Paul is offered coverage through his employer, ABC Inc., and that coverage extends to Lisa. All plans offered by ABC Inc. meet the minimum value standard. Lisa is not offered coverage through her employer. Paul and Lisa have an annual household income of $40,000.
- The lowest-cost plan offered by ABC Inc. that would cover **Paul only** has a premium of $300 per month.
- The lowest-cost plan offered by ABC Inc. that would cover **Paul and Lisa** has a premium of $500 per month.

Scenario #1: Affordability and APTC Eligibility (Cont.)

- For 2022, affordability and APTC eligibility for both Paul and Lisa is determined using the **self-only premium** for Paul. Since $300 is less than 9.61 percent of the couple's income (the affordability percentage for 2022), the offer is considered affordable, and both Paul and Lisa are ineligible for the premium tax credit (PTC).
- For 2023, we still use the **self-only premium** for Paul, but the **family premium** for Lisa. Paul remains ineligible for APTC since $300 is less than 9.12 percent of the couple's income. However, Lisa is now eligible for APTC since $500 is more than 9.12 percent of their income, which means Lisa's offer is considered unaffordable.

Helping Consumers Complete the Marketplace Application

- Since the IRS's new regulations take effect for 2023, consumers will see changes to the 2023 Marketplace application when Open Enrollment (OE) begins on November 1, 2022.
- The HealthCare.gov application and Enhanced Direct Enrollment certified partner applications will include new questions to collect information about employer coverage premium costs for the entire family as well as costs for just the individual employee.
- Before completing their application, consumers should find out what the lowest-cost premium options are for self-only and family coverage from their employer for PY 2023. Consumers can use a PDF worksheet available at HealthCare.gov/downloads/employer-coverage-tool.pdf to collect this information from their employers. This resource will be updated to include family coverage information by November 1, 2022, the start of OE 2023.
- Consumers can also update their application during the 2023 coverage year at any time, even after OE. For example, if they newly receive an offer of employer coverage mid-year because their company's benefit year runs on a non-calendar-year cycle.

What is the Family Premium?

- Under the IRS rule, “family members” are individuals who will be on the same federal income tax return – an individual, plus their spouse if married and filing jointly, plus any dependents that they (and their spouse, if applicable) claim.
- The “family premium” is the premium for the lowest-cost employer plan that would cover all members of the tax household who are offered coverage by the employer.
  - If the tax household includes just an employee and spouse, then the family premium is the lowest-cost premium that would cover those two people, such as a “self plus one” plan option, if offered.
  - If the tax household includes tax dependents, then the family premium is the one that would cover both the spouse (if there is one) and all dependents who are offered the employer coverage, even if those dependents aren’t seeking Marketplace coverage.

Scenario #2: Application Completion

- Alex and Bailey are married and have a child, Carly.
- Alex and Bailey will file a joint tax return and will claim Carly as a dependent.
- Alex works at Target, and Bailey works at HomeGoods.
  - Alex's job at Target offers health coverage to Alex, Bailey, and Carly.
  - Bailey's job does not offer health coverage.
- Based on their attested income, Alex and Bailey appear eligible for APTC, and Carly appears eligible for Medicaid.
- To evaluate Alex's eligibility for APTC, we'll need to collect the premium information for the lowest-cost plan from Target that covers **Alex only**.
- To evaluate Bailey's eligibility for APTC, we'll need to collect the premium information for the lowest-cost plan from Target that covers **Alex, Bailey, and Carly**.

Scenario #2: Application Completion: Job-based Health Coverage

Job-based health coverage

[Learn how to complete this section.]

Are any of these people offered health coverage through their own job?

[Learn more about health coverage that's offered through a job.]

- [ ] Alex
- [ ] Bailey

- [ ] None of these people

Save & continue

Application ID: 159127290

Job-based health coverage

[Learn how to complete this section.]

Are any of these people offered health coverage through their own job?

[Learn more about health coverage that's offered through a job.]

- [x] Alex
- [ ] Bailey

- [ ] None of these people

Have coverage offer details ready

Before you continue, get any documents about health coverage that include information about **premium costs** and **who in the household can get coverage.**

- You may find this information in an online employee portal or account, a letter, email, PDF, or another document from the employer that's offering health coverage.
- If none of these are available, you can print or download the Employer Coverage Tool (PDF) and ask the employer to fill out their part.

Don't worry - all the information you've entered in your application so far will be saved if you need to stop for now.

Save & continue

Application ID: 159127290

Scenario #2: Application Completion: Coverage Offers

Alex's coverage offers

Learn how to complete this section.

Which of Alex's employers offers them health coverage?

Select all that apply. If Alex can get health coverage through someone else's job, we'll ask about that later.

Learn more about which employers to select.

- [x] Target

Will this coverage offer still be available on 09/01/2022?

Answer Yes if Target will still offer coverage as of this date, even if Alex hasn't enrolled and doesn't plan to, or the employer's enrollment period has ended.

- (●) Yes
- ( ) No

Add an employer

Save & continue

Application ID: 159127290

Coverage offer: Target

Learn how to complete this section.

Coverage details

Besides Alex, who else could enroll in health coverage at Target?

Select everyone who's included in the offer of health coverage. If the offer is only for Alex, select "None of these people".

- [x] Bailey
- [x] Carly
- [ ] None of these people

Do the plans offered by Target meet the minimum value standard?

Most job-based plans meet this standard, but if you're not sure, ask the employer to fill out their section of the Employer Coverage Tool.

Learn more about the minimum value standard.

Print or download the Employer Coverage Tool (PDF).

- (●) Yes
- ( ) No

Scenario #2: Application Completion: Premium Costs

Premium costs

Below, only enter the amount **Alex** would pay. Don't include any amount paid by Target.

Learn more about entering premium amounts.

Coverage for Alex only

How much would Alex pay for the lowest-cost plan just for themself?

Alex's premium amount

$ 100

How often?

Weekly

Coverage for Alex, Bailey, & Carly

How much would Alex pay for the lowest-cost plan for themself and these household members?

Alex's premium amount

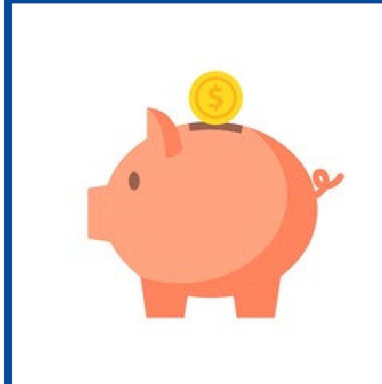
$ 200

How often?

Weekly

Save & continue

Application ID: 159127290



What Should Consumers Do if They Have an Offer of Coverage or are Enrolled in Employer Coverage?

- Consumers will need to submit a Marketplace application to find out whether they can get savings on a Marketplace plan or whether their employer's offer may be considered affordable for themselves or their family.
- Consumers may also need help from their employer to provide answers about the coverage the employer offers.
- Consumers can use the Employer Coverage Tool PDF to collect the information the Marketplace needs before getting started.
- If a consumer is already enrolled in their employer's coverage but wants to see if a Marketplace plan may be more affordable, they should fill out a Marketplace application on HealthCare.gov to find out whether they qualify for savings.
- People enrolled in employer coverage shouldn't drop it before finding out whether they can get savings on a Marketplace plan.

If You Qualify for a Marketplace Plan With the PTC and Want to Enroll in a Marketplace Plan: Next Steps

- Consumers must be enrolled in a health plan through the Marketplace to use the PTC to help pay for a health insurance premium.
- Consumers can’t use both the PTC and enroll in employer coverage for the same person.
- If they aren’t enrolled in the employer’s plan, once you’ve confirmed that they’re eligible for the PTC **and** enrolled in Marketplace coverage, they should tell the employer they’re declining (or “opting out” of) the employer coverage.
- If they’re enrolled in the employer’s plan but find out they qualify for Marketplace savings and want to switch, they’ll need to disenroll from employer coverage in order to enroll in a Marketplace plan with the PTC.

Helping Consumers Navigate Their Coverage Options

- Under the new affordability rules, an employee's self-only premium for their own coverage may be considered "affordable," blocking the employee from APTC and CSR eligibility, while the premium for family coverage may be considered "unaffordable," meaning that family members other than the employee may be eligible for APTC and CSRs to lower the cost of Marketplace coverage.
- It's important to help consumers in this situation understand their health coverage options for their family.

Helping Consumers Navigate Their Coverage Options: Split Coverage

Split coverage (employer and Marketplace): The employee could enroll in their affordable employer coverage, and their APTC/CSR-eligible family members could enroll in a Marketplace plan.

- Families should keep in mind that this may mean they need to meet multiple deductibles and would have separate out-of-pocket maximums for each policy.
- Families should also keep in mind that the separate plans will have different provider networks and coverage for prescription drugs.
- If a consumer has already submitted an application with both the employee and their family members as applicants and wishes to pursue split coverage, they will need to update their application so that the employee is no longer seeking coverage in order to enroll only the employee's family members (and not the employee) in a Marketplace plan. The consumer should report a life change and update the application so that the employee is included on the Marketplace application but indicates they aren't applying for coverage for themselves.

Helping Consumers Navigate Their Coverage Options: Marketplace Coverage

Marketplace coverage only: The employee could decline their 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 (if the employee's self-only plan is considered affordable), while other family members' portions would be lowered by using APTC.
- If the family members are eligible for CSRs, they will need to enroll in a Marketplace plan with a separate enrollment group from the employee in order to maintain their CSRs. The Marketplace will default the non-CSR-eligible employee and their CSR-eligible family members into separate enrollment groups. Families should keep in mind that each enrollment group will be tied to a policy with its own deductibles and out-of-pocket maximums.

Helping Consumers Navigate Their Coverage Options: Employer Coverage

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 PTC or CSRs for a Marketplace plan.

Special Enrollment Periods

- We encourage consumers to apply for 2023 Marketplace coverage during the Open Enrollment Period beginning November 1, 2022.
- Consumers who are currently enrolled in employer coverage and wish to drop it and enroll in a Marketplace plan should confirm with their employer that they can terminate their coverage before their Marketplace plan would start.
- Consumers who are enrolled in a job-based plan may qualify for a Special Enrollment Period (SEP) if they are determined newly eligible for APTC because their job-based plan no longer offers affordable coverage, and they drop their employer coverage. This applies to consumers whose coverage is no longer affordable due to the change in IRS rules. Consumers can access this SEP by attesting "Yes" to the application question that asks about losing qualifying health coverage and providing the date they can end their employer coverage or the date they lost it in the past.

Health Reimbursement Arrangements (HRAs)

- The IRS rule does **not** impact how affordability is calculated for individual coverage Health Reimbursement Arrangements (HRAs) or Qualified Small Employer HRAs (QSEHRAs).
- Affordability for these types of HRAs will still be based on the reimbursement amount made available to the employee only.

Outreach Plan and Timeline

- **Pre-OE:**
  - Educate enrollment partners (assisters, Navigators, etc.)
  - Target partners that can reach employer groups
  - Open Door Forum with employer groups
  - Updated Employer Coverage Tool now available at Marketplace.cms.gov/applications-and-forms/employer-coverage-tool.pdf.
- **OE Kick-off:**
  - Include messaging in earned media efforts within OE
  - Email Sends: Target outreach to prior consumers and current “shoppers”
  - Updated educational information posted on HealthCare.gov for consumers with offers for employer coverage
  - Call Center will be ready to assist
  - Promote early! More heavily promote in the beginning of OE because they will have to drop their employer coverage to take advantage of the savings, and often employer Open Enrollment ends in early November.

Outreach Plan and Timeline (Cont.)

- **Messaging**
  - We will not call this the “family glitch” to consumers. Messaging will explain the change and new opportunity. For example, “*Families with offers of employer health coverage may have new opportunities for savings on HealthCare.gov, even if before they weren’t eligible.”*