

Common Complex Scenarios



Consumers Who Receive an Offer of Employer-Sponsored Coverage

August 2019

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.

Scenario: Consumer Receives an Offer of Employer-Sponsored Coverage

Samson, 55 years old, Married, Father of One Child

- Samson and his wife Carolyn enrolled in a health insurance plan through the Marketplace on November 15, 2018, and are receiving advance payments of the premium tax credit to help lower the cost of their Marketplace coverage.
- Samson and Carolyn have a 14-year-old daughter, Sydney, who is enrolled in the Children's Health Insurance Program (CHIP).
- Two months after enrolling in his Marketplace plan (on January 5, 2019), Samson started working for a national supermarket chain with an annual salary of \$37,000.



Scenario: Consumer Receives an Offer of Employer-Sponsored Coverage (Cont.)



- The supermarket offers health insurance coverage to full-time employees and their dependents after a 90-day waiting period. This means that Samson and his family will become eligible for coverage through Samson's employer-sponsored plan starting April 4, 2019.
- After the waiting period, employers are required to give employees at least 30 days to enroll in the employer plan. If Samson and his wife do not sign up during this 30-day period, they will have to wait until the employer plan's annual Open Enrollment Period, unless they qualify for a Special Enrollment Period before then.

Scenario: Consumer Receives an Offer of Employer-Sponsored Coverage (Cont.)

Does the Marketplace need to know about Samson's new job?

- If Samson's income changes because of his new job, he must report this change to the Marketplace.
- Once Samson, Carolyn, and their daughter Sydney become eligible for coverage under Samson's employer-sponsored plan, Samson must report this to the Marketplace.

Can Samson and Carolyn stay enrolled in their plan through the Marketplace?

- Yes. During the waiting period, Samson and Carolyn can remain enrolled in their Marketplace plan with financial assistance. During the waiting period, the Marketplace considers them ineligible for employer-sponsored coverage (ESC) and they do not have an "offer" of other Minimum Essential Coverage (MEC).
- Once the waiting period is over, Samson and Carolyn can remain in their Marketplace plan, but they may lose their eligibility for financial assistance through the Marketplace. If their employer-sponsored coverage is affordable and meets the minimum value standard, they will be ineligible for financial assistance through the Marketplace.



Scenario: Consumer Receives an Offer of Employer-Sponsored Coverage (Cont.)

Can Sydney stay enrolled in CHIP?

- Generally, a child that has an offer of dependent coverage through a parent's employer-sponsored plan is ineligible for coverage under CHIP.
- If Samson's offer of employer-sponsored coverage is determined to be affordable and meets the minimum value standard, he will not be eligible to receive financial assistance through the Marketplace and will have to pay full price for a plan purchased through the Marketplace. Note, however, that Samson and his wife may qualify for financial assistance through the Marketplace during the 90-day waiting period (i.e., until they are actually eligible to enroll in Samson's employer-sponsored plan).



Scenario: Consumer Receives an Offer of Employer-Sponsored Coverage (Cont.)

- It is important to note that even if an employee who was eligible for health insurance through their employer **missed their opportunity to enroll, chose not to enroll, or terminated the coverage** in their employer's plan, they must still indicate that they are eligible for employer-sponsored coverage on their Marketplace application. The Marketplace still considers this employee "eligible" for employer-sponsored coverage.
- Whether the couple would continue to be eligible for financial assistance through the Marketplace depends on whether Samson's offer of employer-sponsored coverage is considered "**affordable**" and meets "**minimum value**" and whether Samson's change in income would make him ineligible for financial assistance through the Marketplace.



Determining if Employer's Coverage Offer Meets Minimum Value

- Assisters will need to determine whether the plan meets the minimum value (MV) standard. A health plan meets the MV standard if it's designed to pay at least 60 percent of the total cost of medical services for a standard population and if benefits under the plan include substantial coverage of inpatient hospital services and physician services. If the employer's plan meets this standard and is considered "affordable," the employee won't be eligible for a premium tax credit if they buy a Marketplace plan instead.



Determining if Employer's Coverage Offer Meets Minimum Value (Cont.)



- The plan's Summary of Benefits Coverage (SBC) will indicate whether the coverage meets MV requirements.
- We recommend that consumers ask their human resources department to fill out the Employer Coverage Tool, which collects this information, and use it to complete their Marketplace application.

- **The Minimum Value test:** A health 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 coverage of physician and inpatient hospital services.

Determining if Employer's Coverage Offer is Affordable

- If the consumer's employer-sponsored coverage meets minimum value, consumers must attest to this in their Marketplace application if the lowest-cost plan offered for employee-only coverage is "affordable." Employer-sponsored coverage is considered affordable if the employee's share of the annual premium for the lowest-cost employee-only plan is no greater than 9.86 percent of annual household income. The affordability test only considers the cost of the employee-only coverage; the cost of family coverage (i.e., the cost of insurance for both Samson and his family) is not considered for the affordability test.
- **The affordability test:** Samson's annual household income is \$37,000. If an employer offers multiple healthcare coverage options, the affordability test applies to the lowest-cost option available to the employee only that also meets the minimum value requirement. To be affordable, Samson's share of the lowest-cost employer-sponsored plan covering Samson only (not his wife or child) cannot be more than 9.86 percent of Samson's annual household income or \$3,648 in annual premiums, or approximately \$304 per month.

Determining if Employer's Coverage Offer is Affordable (Cont.)

Note: Even though the affordability test looks only at the cost of the lowest-cost self-only plan available to Samson, if the coverage is considered to be “affordable” for Samson, then the other family members would also be considered to have an offer of “affordable” coverage for purposes of determining eligibility for financial assistance through the Marketplace.



IRS Increases the ACA Affordability Percentages for 2019

- For plan years beginning in 2019, employer-sponsored coverage will be considered affordable if the employee's required contribution for self-only coverage does not exceed:
 - 9.86 percent (2018 was 9.56 percent) of the employee's household income for the year.
 - 8.3 percent of the employee's household income for the year in order to qualify for the individual mandate exemption for individuals who fail to obtain health coverage.

IRS Increases the ACA Affordability Percentages for 2019 (Cont.)

- Beginning with the 2019 plan year, the Individual Shared Responsibility Payment (“mandate,” “penalty”) is reduced to \$0. Consumers don't need an exemption for 2019 or beyond to avoid paying a penalty. Exemptions are available based on a number of circumstances, including certain hardships, some life events, health coverage or financial status, and membership in some groups.
- An offer of affordable employer-sponsored coverage makes an employee ineligible for a premium tax credit.



Resource: The Employer Coverage Tool


- To help consumers determine whether their offer of employer-sponsored coverage is affordable and meets the minimum value standard, employees should ask their employers to fill out the “Employer Coverage Tool” worksheet. This worksheet is available at: [HealthCare.gov/downloads/employer-coverage-tool.pdf](https://www.healthcare.gov/downloads/employer-coverage-tool.pdf).

Health Insurance Marketplace 10/2018

Employer Coverage Tool

Form Approved
OMB No. 0938-1213

Print or download this tool to gather answers about any employer health coverage that you're eligible for (even if it's from another person's job, like from a parent or spouse). You'll need this information to complete your Marketplace application, even if you don't accept the employer insurance you're eligible for. **Have the person who is offered the employer health insurance fill out boxes 1-3 and ask the employer to fill out the rest of the form. Complete one tool for each employer that offers health coverage that you're eligible for.**

 **EMPLOYEE information**
The employee who is offered employer insurance needs to fill out this section.

1. Employee name (First, Middle, Last)	2. Employee SSN
<input style="width: 95%;" type="text"/>	<input style="width: 15%;" type="text"/> - <input style="width: 15%;" type="text"/> - <input style="width: 10%;" type="text"/> <input style="width: 10%;" type="text"/> <input style="width: 10%;" type="text"/> <input style="width: 10%;" type="text"/>

- While we encourage employees to ask their employer to complete the Employer Coverage Tool, employees can also use this tool themselves to collect the information the Marketplace needs to assess their offer of employer-sponsored coverage.
- Consumers will need to provide the Marketplace with their employer's name and phone number. The Employer Identification Number (EIN) section on this form is optional and consumers may find this information from their employer or on their W-2. As noted previously, consumers are encouraged to ask their employers to fill out the Employer Coverage Tool and use that information to complete the Marketplace application.

If employer-sponsored coverage is affordable and meets minimum value...

Option 1: Samson can enroll in employer-sponsored coverage during his enrollment period or the employer's Open Enrollment Period.

■ **Considerations:**

- Does the plan's network include Carolyn's, Sydney's, and Samson's preferred providers and medications?
- How do out-of-pocket expenses (e.g., deductibles, copayments, and coinsurance) compare to the Marketplace plan in which they are enrolled?
- Who will enroll in coverage? Just Samson, or Samson, Carolyn, and Sydney?
- How will the total annual premium costs differ?
- If Samson, Carolyn, and Sydney want to sign up for coverage under Samson's employer-sponsored plan as soon as they become eligible, they must sign up during the window of time the employer grants newly eligible employees to sign up for coverage.



If employer-sponsored coverage is affordable and meets minimum value...

Option 2: Samson can remain enrolled in his current Marketplace plan (without receiving financial assistance through the Marketplace).

■ **Considerations:**

- Are Samson and his family satisfied with their current coverage?
- Will they be able to afford the same plan without receiving financial assistance through the Marketplace?
- If Samson and his family choose to stay enrolled in Marketplace coverage, they should make sure to update their Marketplace application to reflect any changes in their information (i.e., changes in income, updating information regarding eligibility for employer-sponsored coverage, etc.).



If employer-sponsored coverage is unaffordable or does not meet minimum value standard...

Option 1: Samson can enroll in employer-sponsored coverage during his enrollment period or the employer's Open Enrollment Period.

- **Considerations:**

- Does the employer's coverage offer provide additional benefits or coverage (e.g., preferred providers, larger network, wellness incentives) that are not available through Samson's Marketplace plan?
- What will their coinsurance and out-of-pocket expenses be?
- Are lower-cost premiums available on the Marketplace?



If employer-sponsored coverage is unaffordable or does not meet minimum value standard...

Option 2: Samson can remain in his current Marketplace plan (with advance payments of the premium tax credit and cost-sharing reductions).

- **Considerations:**

- Are they satisfied with their current coverage?
- Samson may be eligible for financial assistance through the Marketplace depending on how much his household income changes. How would this affect the price of the family's premiums?
- Samson should report any change in income to the Marketplace in order to receive adjusted amounts of financial assistance through the Marketplace or he may end up owing money to the government when he files his federal income taxes.

