

## Affordability Percentage Increases for 2019

The IRS announced in [Revenue Procedure 2018-34](#) the percentage used to determine if an employer, subject to the Affordable Care Act (“ACA”) employer mandate, offers coverage that is “affordable” to help avoid potential ACA penalties. For 2019, the ACA affordability percentage will increase to 9.86% up from 9.56% for 2018. Employers with affordable group health plans that provide minimum value (the plan covers at least 60% of plan costs) will be shielded from the ACA employer mandate penalty for 2019, provided the employer makes an offer of health coverage to at least 95% of full-time employees. With this announcement, employers can begin to consider their employee contribution strategy for 2019.

For example, for 2019, a group health plan will be considered “affordable” if the monthly employee contribution for single coverage for the lowest cost health option made available to full-time employees is analyzed as follows:

Assume the lowest paid full-time employee earns \$12 per hour. An ACA full-time employee is an individual who works 30 or more hours per week or 130 hours per month. An ACA affordable plan could charge this employee no more than  $9.86\% \times [\$12 \times 130 \text{ hours}] = \$153.82$  per month; an increase from 2018 of \$4.68 from 2018 [ $9.56\% \times \$12 \times 130 \text{ hours} = \$149.14$ ].

The annual employer mandate penalties for 2019 for employers with 50 or more full-time employees (including full-time equivalent employees) in 2018 are estimated to be as follows:

**Failure to offer Minimum Essential Coverage to 95% of full-time employees [“a” penalty]:** \$2,500 times the number of full-time employees in excess of 30; if one full-time employee receives subsidized healthcare coverage from the ACA Marketplace.

**Coverage offered to 95% of full-time employees fails to provide Minimum Value and/or Affordable coverage [“b” penalty]:** \$3,750 for each full-time employee who receives subsidized healthcare coverage from an ACA Marketplace.

It should be noted that the individual mandate penalty for failure by an individual to maintain Minimum Essential Coverage in 2019 will be zero. Therefore, employers could potentially see a decline in healthcare enrollment as no individual tax penalty will be assessed for failure to enroll in healthcare coverage. However; as described above, employers will continue to be subject to the ACA employer mandate penalty if appropriate coverage is not offered to full-time employees.

### ADDITIONAL INFORMATION

Information contained in this Client Alert is not intended to render tax or legal advice. Employers should consult with qualified legal and/or tax counsel for guidance with respect to matters of law, tax and related regulation. Cherry Bekaert Benefits Consulting, LLC provides comprehensive consulting and administrative services with respect to all forms of employee benefits, risk management, qualified and non-qualified retirement plans, private client services, transaction services, and compensation and human resources.

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