Make Sure Your Health Plan is Affordable When Setting Premiums for 2019

By: Lyndsey Barnett on October 25, 2018 on graydon.law

If you are a large employer required to provide health plan coverage to avoid the shared responsibility penalties, it is prudent to reevaluate your contribution structure each year before open enrollment to ensure that your plan is still "affordable." Most employers were diligent about calculating affordability in the first few years the shared responsibility penalties were in effect. A failure to consider whether your plan is affordable when passing through any premium increases could result in an unintended penalty for each employee who enrolls in exchange coverage and qualifies for assistance. The IRS has not yet announced the 2019 penalty amounts, but we have seen estimates from actuaries that estimate the increased penalty to be around $3,750 (up from $3,480 in 2018).

The IRS adjusts the affordability percentage each year and for 2019 the cost of single coverage must be less than 9.86% of an employee's household income in order to be affordable. The 9.86% is also the percentage that employers can rely on for 2019 under either the federal poverty limit, rate of pay or Form W-2 safe harbor. If you wish to rely on the federal poverty level safe harbor, this means you must charge less than $99.76/month for single coverage. If you wish to rely on the rate of pay or Form W-2 safe harbor, you will use the 9.86% when calculating affordability.