

# Navigating the Employer Mandate



The Affordable Care Act's employer mandate<sup>1</sup> requires employers with at least 50 full-time employees (and equivalents) in the preceding year to provide minimum essential coverage to their full-time employees and their dependent children to age 26<sup>2</sup> that is both affordable and provides minimum value, or face penalties. Large employers subject to the employer mandate may answer the questions below to help determine if they are complying with the employer mandate or whether they may face penalties.

Does your company offer **minimum essential coverage** to at least 95 percent of your full-time employees and their dependent children to age 26?

NO



If at least one of your **full-time employees** enrolls in a qualified health plan on the Health Insurance Marketplace and receives a federal **premium tax credit** or **cost-share subsidy**, your company may face a penalty for each month you do not offer coverage.

YES

## 2017 PLAN YEAR AND BEYOND

The maximum annual penalty is \$2,260 per year or \$188.33 per month for 2017 (\$2,320 per year or \$193.33 per month for 2018) per **full-time employee**, after the first 30 employees.

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Is the **minimum essential coverage** offered by your company affordable?

NO



Your company may face a penalty if at least one of your **full-time employees** enrolls in a qualified health plan on the Marketplace and receives a federal **premium tax credit** or **cost-share subsidy**.

YES

## 2017 PLAN YEAR AND BEYOND

The maximum annual penalty is \$3,390 per year or \$282.50 per month for 2017 (\$3,480 or \$290 per month for 2018) for each **full-time employee** that enrolls in an individual health plan on the Marketplace and receives a **premium tax credit** or a **cost-share reduction** (capped at the penalty amount that would apply had the employer not offered any **minimum essential coverage**).



Does the coverage offered by your company provide **minimum value**?

YES

**Your company faces no penalties under the employer mandate. The minimum essential coverage** offered by your company to substantially all of your full-time employees and their dependent children to age 26 is both **affordable** and provides **minimum value**. Your employees are not eligible for federal financial assistance (in the form of **premium tax credits** or **cost-share subsidies**) if they decide to purchase health insurance on the Marketplace.

See the back page for more information on the employer mandate, including definitions and footnotes.

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## Glossary of Terms

**Affordable:** Employer-sponsored health coverage is considered affordable if an employee's required contribution to the plan does not exceed 9.69 percent in 2017 (9.56 percent in 2018) of the employee's household income for the taxable year. (Rather than trying to determine household income, there are three safe harbors to use to determine whether an employer-sponsored health plan is affordable.)

**Cost-share subsidy:** Federal dollars reducing the amount an eligible individual would otherwise pay out of pocket for coinsurance and copayments for coverage provided on the Marketplace.

**Full-time employees and full-time equivalents:** Typically defined as working 30 hours or more per week.

**Minimum essential coverage:** Refers in general to coverage under a government-sponsored program, such as Medicare or Medicaid; an eligible employer-sponsored plan; a plan offered in the individual market; or other coverage described in applicable regulations. It does not include HIPAA-excepted benefits such as critical illness or hospital indemnity insurance.

<sup>1</sup>ACA's Shared Responsibility for Employers Regarding Health Coverage Rule

<sup>2</sup>To avoid possible penalties, businesses subject to the employer mandate must provide health coverage to a dependent child through the end of the month in which he or she attains age 26. If coverage extends beyond the 26th birthday, the value of the coverage can continue to be excluded from the employee's income for the full tax year (generally a calendar year) in which the adult dependent child turns 26.

**PLEASE NOTE:** This material represents a high-level summary of ACA provisions and may not be construed as tax, legal or compliance advice. Please consult your professional benefits adviser or legal counsel regarding how these provisions may impact your specific benefit plan.

Last Updated: December 7, 2017

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**Minimum value:** A group health plan provides minimum value if the percentage of the total allowed costs of benefits provided under the plan is at least 60 percent, and it includes substantial coverage of both inpatient hospital and physician services.

**Penalties:** Penalties under the employer mandate are not tax deductible. The determination of who is a full-time employee, and therefore the amount of any potential penalty, is determined on a month-by-month basis or a look-back measurement basis.

**Premium tax credit:** A credit that helps eligible individuals and families with low or moderate income afford health insurance purchased through the Marketplace.

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