Common Complex Scenarios

Consumers Who Receive an Offer of Employer-Sponsored Coverage

Center for Consumer Information & Insurance Oversight

August 30, 2017

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, 2016 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, 2017), Samson started working for a national supermarket chain with an annual salary of $37,000.
- 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, 2017.
- 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 that.

Scenario: Consumer Receives an Offer of Employer-Sponsored Coverage

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 to the Marketplace.
- Once Samson and Carolyn 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, they are considered by the Marketplace ineligible for employer-sponsored coverage and do not have an "offer" of other MEC.
- Once the waiting period is over, Samson and Carolyn can still 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.

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.

Scenario: Consumer Receives an Offer of Employer-Sponsored Coverage

Eligibility for Financial Assistance Through the Marketplace

- 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).
- It is important to note that even if an employee who was eligible for health insurance through his or her employer **missed his or her opportunity to enroll (or chose not to enroll)** in their employer's plan, he or she must still indicate that they are eligible for employer-sponsored coverage on his or her 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 experienced a change in income that would affect his eligibility for financial assistance through the Marketplace.

Scenario: Consumer Receives an Offer of Employer-Sponsored Coverage

Determining if Employer's Coverage Offer is Affordable

- Assisters will need to determine if the lowest cost plan offered for employee-only coverage which also meets minimum value is "affordable." Employer coverage is considered affordable if the employee's share of the annual premium for the lowest cost employee-only plan is no greater than **9.69%** 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 **9.69%** of Samson's annual household income or **$3,585** in annual premiums or approximately $299 per month.

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.

Scenario: Consumer Receives an Offer of Employer-Sponsored Coverage

IRS Decreases the ACA Affordability Percentages for 2018

- For plan years **beginning in 2018**, employer-sponsored coverage will be considered affordable if the employee's required contribution for self-only coverage does not exceed:
  - **9.56 percent** (2017 was 9.69%) of the employee's household income for the year, for purposes of both the pay or play rules and premium tax credit eligibility; and
  - **8.05 percent** (2017 was 8.16%) of the employee's household income for the year, for purposes of an individual mandate exemption (adjusted under separate guidance).

Scenario: Consumer Receives an Offer of Employer-Sponsored Coverage

Determining if Employer's Coverage Offer Meets Minimum Value

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

Scenario: Consumer Receives an Offer of Employer-Sponsored Coverage

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.
- While we encourage employees 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, Employer Identification Number (EIN), phone number, and address. The EIN is displayed on consumers' W-2, or consumers can ask their employer to provide it to them. 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.

Scenario: Consumer Receives an Offer of Employer-Sponsored Coverage

If employer-sponsored coverage is affordable *and* meets minimum value…

> **Option 1: Enroll in employer-sponsored coverage during his enrollment period or the employer's open enrollment period. Employer-sponsored plans must provide employees a period of least 30 days to sign up for coverage when they first become eligible to sign up.**

Considerations:

- Does the plan's network include Carolyn 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 both Samson and Carolyn?
- How will the total annual premium costs differ?
- If Samson and Carolyn 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.

Scenario: Consumer Receives an Offer of Employer-Sponsored Coverage

If employer-sponsored coverage is affordable *and* meets minimum value…

Option 2: Re-enroll in current Marketplace plan (without receiving financial assistance through the Marketplace).

Considerations:

- Are Samson and Carolyn satisfied with their current coverage?
- Will they be able to afford the same plan without receiving financial assistance through the Marketplace?
- If Samson and Carolyn reject their offer of employer-sponsored 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.).

Scenario: Consumer Receives an Offer of Employer-Sponsored Coverage

If employer-sponsored coverage is unaffordable *or* does not meet minimum value…

Option 1: Enroll in employer-sponsored coverage during his enrollment period or the employer's open enrollment period. Employer-sponsored plans must provide employees a period of at least 30 days to sign up for coverage when they first become eligible to sign up.

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 there lower-cost premiums available on the Marketplace?

Scenario: Consumer Receives an Offer of Employer-Sponsored Coverage

If employer-sponsored coverage is unaffordable *or* does not meet minimum value…

Option 2: Re-enroll in current Marketplace plan (with advance payments of the premium tax credit or 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.