



Health Care Reform Update



IMPORTANT NOTICE REGARDING HEALTHCARE REFORM Update #68 May, 2017

IRS Announces ACA Indexing Adjustment for Affordability

The IRS has announced 2018 indexing adjustments for two key percentages under the Affordable Care Act (ACA). The first percentage, which is the required contribution percentage used to determine whether employer-sponsored health coverage is “affordable” for purposes of employer shared responsibility and had increased from the 9.5% baseline to 9.69% for 2017, will decrease to 9.56% for 2018. The second percentage, used to determine the amount individuals eligible for premium tax credits must contribute toward the cost of Exchange coverage, will also see small decreases. The adjusted percentage, ranging from 2.01% to 9.56%, varies across household income bands.

The IRS announcement includes a reminder that the required contribution percentage used to determine whether individuals are exempt from individual shared responsibility penalties also decreased to 8.05% for 2018. Note that individuals are exempt if the amount that they would be required to pay for minimum essential coverage exceeds a particular percentage of actual household income for a taxable year.

Adjustments to the affordability percentage will be of interest to applicable large employers since failure to offer affordable, minimum value coverage to full-time employees may result in employer shared responsibility penalties. Notwithstanding the recent publicity surrounding proposals to repeal and replace certain parts of the ACA, penalties associated with employer shared responsibility will remain the law until changed by legislation.

Bernie Lowe & Associates, Inc. is not providing any legal advice with regard to compliance with the requirements of the Affordable Care Act ("ACA"). Bernie Lowe & Associates, Inc. makes no representation as to the impact of plan changes on a plan's grandfathered status or interpretation or implementation of any other provisions of ACA. Bernie Lowe & Associates, Inc. will not determine whether coverage is discriminatory or otherwise in violation of Internal Revenue Code Section 105(h).