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2019 ACA Affordability Percentage Increases

Under the Affordable Care Act (ACA), an “applicable large employer” or “ALE” (employer with at least 50 full-time equivalent employees) must offer full-time employees “affordable” coverage in order to avoid certain penalties. Affordability for ACA purposes is based on whether the premium for employee-only coverage is less than a certain percentage of an employee’s household income or a designated safe harbor amount. The affordability percentage, which was 9.5% in 2014, its initial year, is adjusted each year based on inflation.

The IRS has released the affordability percentage for 2019, which has increased to **9.86%** (up from 9.56% in 2018). Using the adjusted percentage for 2019, if the required employee premium contribution does not exceed 9.86% of the employee’s household income, then the coverage is affordable under the ACA.

Because employers do not necessarily know an employee’s actual household income, three safe harbors (W-2, Rate of Pay and Federal Poverty Line) may be used to ensure affordability. For plan years beginning in 2019, if an employee’s required contribution for the lowest-cost employee-only coverage does not exceed 9.86% of his or her: (1) Form W-2 wages; (2) salary, or, for hourly employees, their hourly rate multiplied by 130; or (3) the federal poverty line for a single person (for 2019, 9.86 % of \$12,140, or a maximum of **\$100** per month), then the coverage is affordable.

The chart below provides examples of affordability limits under the Rate of Pay safe harbor at differing hourly rates:

Hourly Rate	Maximum Affordable Monthly Premium
\$8 per hour	\$102.50
\$10 per hour	\$128.12
\$12 per hour	\$153.82
\$14 per hour	\$179.45

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