

# Consumer Responsibilities Under the Affordable Care Act

Affordable Care Act Basics: Part 4 of 8



# Introduction

In addition to understanding carrier responsibilities under the Affordable Care Act (ACA), assisters (a collective term for agents, brokers, and enrollment counselors (ECs)) should be able to explain consumer and employer responsibilities.

# Main Topics

1. Minimum Essential Coverage (MEC)
2. Employer Shared Responsibility
3. Elimination of the “Family Glitch”

# The Individual Mandate



- Previously, the Affordable Care Act (ACA) required individuals to have minimum essential health coverage (MEC) for each month, qualify for an exemption, or pay a penalty when filing their federal income tax return (“individual mandate”).
- As of January 1, 2019, the penalty for not having health insurance is \$0. This means consumers are no longer required to qualify for an exemption or pay a tax penalty for not having health coverage.

# Types of MEC



- Any Marketplace medical plan
- Most individual health plans bought outside the Marketplace, if they meet standards for qualified health plans (QHP), including grandfathered plans (not all plans sold outside the Marketplace qualify as MEC)
- Job-based plan, including retiree plans and COBRA coverage
- Medicare Part A or Part C (Medicare Part B and Part D by themselves do not count)
- Most Medicaid coverage (except limited coverage plans)
- Most Child Health Insurance Program (CHIP) coverage, including CHIP buy-in programs that provide identical coverage to the state's Title XXI CHIP program
- Coverage under a parent's plan (that qualifies as MEC)
- Health coverage for Peace Corps volunteers
- Certain types of veterans' health coverage through the Veterans Affairs (VA)
- Most TRICARE plans
- Refugee Medical Assistance

# What is **not** MEC?

- The following types of health coverage do **not** qualify as MEC:
  - Coverage for vision care only or dental care only
  - Workers' compensation coverage
  - Coverage only for a specific disease or condition
  - Plans that offer only discounts on medical services
  - Medicaid-Family planning only coverage
- **Note:** Other types of coverage that count as MEC can be found at [CMS.gov](https://www.cms.gov).

# MEC and Financial Assistance



- Generally, consumers who are eligible for MEC will not qualify for the premium tax credit (PTC), even if they do not enroll in the available MEC.
- **Note:** Consumers can only receive the PTC if they are enrolled in a health plan on the Marketplace; they cannot receive them in the individual market, off-exchange.

# Employer Shared Responsibility (1 of 3)



The ACA requires large employers (50 or more full-time/full-time equivalent (FTE) employees) to offer MEC to full-time employees. If they do not, and if at least one of the employees receives a tax credit to purchase health insurance in the Marketplace, the employer will be assessed a penalty (“employer shared responsibility payment”).

# Employer Shared Responsibility (2 of 3)



- If the employer offers MEC, they may still have to pay a fee if their coverage:
  - Is not affordable.
    - Employer coverage is considered affordable (as it relates to PTC) if the employee's share of the annual premium for the lowest priced self-only plan is less than 8.39% (for Plan Year 2024) of annual household income.
  - Does not meet the minimum value standard.
    - "Minimum value" (MV) is a standard of minimum coverage that applies to job-based health plans. A health plan meets the MV standard if:
      - It is designed to pay at least 60% of the total cost of medical services for a standard population; and
      - Its benefits include substantial coverage of physician and inpatient hospital services.

# Employer Shared Responsibility (3 of 3)



- MEC vs. MV
  - MEC is coverage an individual must maintain to meet the individual responsibility requirement.
  - This should not be confused with MV, which is a measure of an employer plan's comprehensiveness.
- A person is only barred from the PTC if the employer offers at least one plan that meets both the affordability and MV standards.
- If an employer plan does not meet MV, but an individual enrolls in it anyway, that plan will be considered MEC, and the individual will not be eligible for the PTC.

# Elimination of the “Family Glitch”



- The Family Glitch was eliminated for the 2023 Plan Year and beyond.
- Now, the cost of the family premium—rather than the employee’s individual premium—is used to determine whether an employee’s family members have an offer of affordable Employer Sponsored Insurance (ESI).
  - **Note:** “Family” means the employee’s tax household.

# Elimination of the “Family Glitch” (Continued)



- Family members of an employee may receive subsidies on the Marketplace if the employer-offered family coverage costs more than 8.39% (for 2024) of household income.
  - **Note:** The new rule does not affect employee eligibility.
- The Marketplace applies two separate affordability tests for each ESI offer to a family:
  - Employee: The application asks for the employee’s contribution for the lowest-cost, MV, self-only coverage. If it is 8.39% or less of household income, then the PTC is denied to the employee.
  - Family Members: The application asks for the premium for the lowest-cost, MV, employee’s tax household coverage. If it is 8.39% or less of household income, then the PTC is denied to members of the employee’s family who are offered the ESI.

# Key Points



- The ACA requires consumers to have coverage that qualifies as MEC.
- Consumers are no longer required to qualify for an exemption or pay a tax penalty if they do not have health coverage.
- Employers may be assessed a penalty if they have at least 50 employees, do not offer MEC, and at least one of the employees receives a tax credit to purchase health insurance in the Marketplace.
- Certain employers may have to pay a fee if the coverage they offer:
  - Is not affordable, or less than 8.39% for lowest-cost, self-only coverage; or
  - Does not meet MV standard.
- The “Family Glitch” was eliminated for the 2023 Plan Year and beyond.



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