



HCTT 2016-35: Understanding the Terms Affordable Coverage and Minimum Value

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Understanding the Terms Affordable Coverage and Minimum Value

In general, under the employer shared responsibility provisions of the Affordable Care Act, an [applicable large employer](#) may either offer affordable minimum essential coverage that provides minimum value to its full-time employees and their dependents or potentially owe an employer shared responsibility payment to the IRS.

Here are definitions to help you understand affordable coverage and minimum value.

Affordable coverage: If the lowest cost self-only only health plan is 9.5 percent or less of your full-time employee's household income then the coverage is considered affordable. Because you likely will not know your employee's household income, for purposes of the employer shared responsibility provisions, you can determine whether you offered affordable coverage under various safe harbors based on information available to the employer.

Minimum value: An employer-sponsored plan provides minimum value if it covers at least 60 percent of the total allowed cost of benefits that are expected to be incurred under the plan.

Under existing guidance, employers generally must use a minimum value calculator developed by the U.S. Department of Health and Human Services to determine if a plan with standard features provides minimum value. Plans with nonstandard features are required to obtain an actuarial certification for the nonstandard features. The guidance also describes certain safe harbor plan designs that will satisfy minimum value.

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