Guide to Minimum Essential Coverage (MEC)

What Types of Coverage Count to Meet the Individual Responsibility Requirement and How Eligibility for the Coverage Affects PTC Eligibility

The Affordable Care Act (ACA) requires most individuals to have minimum essential coverage (MEC), or pay a penalty for each month they are uninsured. MEC is health coverage that meets certain standards. Most insurance, such as coverage provided by employers, Medicare and most Medicaid, is MEC and satisfies the ACA's individual responsibility requirement (also referred to as the individual mandate).

In general, an individual must not be eligible for MEC to be eligible for premium tax credits (PTC) in the marketplace, although there are a few exceptions. Being eligible for MEC means the insurance is available to the individual, even if they don't enroll in it. Therefore, people who are eligible for MEC will generally not qualify for PTC. This chart is a reference tool that lists whether various types of coverage are considered MEC and satisfy the ACA's individual responsibility requirement, and whether eligibility for that coverage makes an individual ineligible for PTC.

Other important notes to keep in mind:

- **Minimum Essential Coverage (MEC) vs Minimum Value (MV):** MEC, which is the coverage that an individual must maintain to meet the individual responsibility requirement, should not be confused with minimum value (MV), a measure of a plan's comprehensiveness. A person is not barred from PTC due to an employer offer of coverage unless the employer offers at least one plan that meets *both* the affordability and MV standards. An employer-sponsored plan must have a MV of at least 60 percent, meaning that it covers inpatient and physician services and pays at least 60 percent of total medical costs for a standard population to meet the MV standard. If no plan meets the MV and affordability standards, a person may qualify for PTC in the marketplace. 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 PTC. The Summary of Benefits and Coverage for a plan must disclose if the coverage is MV.
- **One-Day Rule:** For the purposes of the individual mandate, an individual who is enrolled in MEC for at least one day in a month is considered to have MEC for the entire month. For example, an individual who loses Medicaid coverage and becomes uninsured on April 3 is considered to have MEC and satisfy the individual mandate for all of April. Similarly, an uninsured individual who obtains job-based coverage on June 20 will satisfy the individual mandate for all of June.
- **Transitioning Between Marketplace Coverage and Government-Sponsored MEC:** In general, people who receive PTC can continue to claim it until the first day of the first full month in which an individual is eligible to receive benefits. If the person is eligible for retroactive benefits, then he or she is eligible for PTCs until the first day of the month after being determined eligible for government-sponsored MEC. For example, John is enrolled in marketplace coverage with PTC. At the beginning of April, he reported a decrease in income that made him eligible for Medicaid, and he was found eligible for Medicaid on April 17 with coverage retroactive to April 1. John can still claim PTC for the entire month of April even though he was found eligible for Medicaid for that month.
- **Failure to Enroll in Government-Sponsored MEC:** For purposes of PTC eligibility, individuals who meet the eligibility criteria for government-sponsored MEC, but fail to enroll by the last day of the third full calendar month following the event establishing eligibility, are treated as eligible for government-sponsored MEC as of the first day of the fourth calendar month following the event. For example, Sandra turns 65 and becomes eligible for Medicare on March 11, but fails to enroll in coverage during the initial enrollment period. She is treated as eligible for government-sponsored MEC and will not qualify for PTC as of July 1, the first day of the fourth month following the event that establishes her Medicare eligibility (turning 65).
- **Coverage that is MEC But Does Not Bar Eligibility for PTC:** Some types of coverage satisfy the individual mandate if the individual enrolls in it, but eligibility for the coverage does not bar PTC eligibility. In these cases, a person is eligible for PTC as long as he or she is not currently enrolled in the other coverage. If the person enrolls in the coverage, that coverage will be considered MEC and the person will not be eligible for PTC. However, during an open or special enrollment period, the person can *drop* the coverage and enroll in marketplace coverage with PTC. (For more on special enrollment periods, the Center on Budget and Policy Priorities' Guide to Special Enrollment Period Triggers and Timing outlines different circumstances that will qualify an individual for a special enrollment period.)

TYPE OF COVERAGE	IF ENROLLED, DOES COVERAGE SATISFY THE INDIVIDUAL MANDATE?	IF ELIGIBLE FOR COVERAGE, ELIGIBLE FOR PTC?
EMPLOYER-SPONSORED COVERAGE[1,2,3]		
Group health insurance coverage for employees *Includes Federal Employees Health Benefit program, coverage in the small or large group market within a state, and grandfathered health plans in a group market*	YES	NO, unless coverage is unaffordable[4] or not MV[5]
Self-insured group plan for employees	YES	NO, unless coverage is unaffordable[4] or not MV[5]
COBRA	YES	YES, unless actually enrolled in coverage
Retiree coverage	YES	YES, unless actually enrolled in coverage
Expatriate health plan for employees	YES	NO, unless coverage is unaffordable[4] or not MV[5]

1. An employee or related individual is not considered eligible for MEC during a required waiting period before the eligible employer-sponsored coverage becomes effective.
2. An employee who doesn't enroll during the employer open enrollment period, or enrolls but fails to pay the premiums for employer-sponsored coverage and cannot re-enroll until the open season for the next benefit year, is considered eligible for MEC.
3. An individual who can enroll in an employee's employer plan but who is not claimed as a tax dependent by the employee (e.g., an adult non-dependent child under age 26) is considered eligible for MEC (and therefore, ineligible for PTC) only for the months he/she is actually enrolled in the employer plan.
4. For an employee and his/her dependent, an employer plan is affordable if the employee's share of the premium for the lowest priced plan available that would cover the employee only—not the employee's family—is 9.69 percent (for 2017) or less of the employee's household income.
5. An employer plan meets minimum value (MV) if it covers inpatient hospital and physician services, and pays at least 60 percent of the total cost of medical services for a standard population.

INDIVIDUAL HEALTH INSURANCE		
Individual market health insurance		
Any metal level plan purchased through the Health Insurance Marketplace	YES	YES
Catastrophic plan purchased inside or outside the Health Insurance Marketplace	YES	YES, unless actually enrolled in coverage
ACA-compliant plan purchased outside the Health Insurance Marketplace	YES	YES, unless actually enrolled in coverage
"Grandfathered" non-ACA compliant plan that has been in force since March 23, 2010 or earlier	YES	YES, unless actually enrolled in coverage
Student health plan	YES	YES, unless actually enrolled in coverage
Expatriate health plan for non-employees (e.g., students and missionaries)	YES	YES, unless actually enrolled in coverage

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GOVERNMENT-SPONSORED COVERAGE		
Medicare[6]		
Part A (without a premium) and Part B	YES	NO
Part A (without a premium) only	YES	NO
Part B only	NO	YES
Voluntary Medicare (pays a premium for Part A and may or may not be enrolled in Part B)	YES	YES, unless actually enrolled in coverage
Medicare Advantage	YES	NO
Medicaid		
Full benefit Medicaid coverage	YES	NO[12]
Coverage only for family planning services	NO	YES
Coverage only for Tuberculosis-related services	NO	YES
Coverage only for emergency treatment	NO	YES
Pregnancy-related Medicaid	Varies by state[7, 9]	Varies by state[8]
Medically needy *May be referred to as Medicaid with a "spenddown" or "share of cost" Medicaid*	Varies by state[7, 9, 10]	Varies by state—if MEC, ineligible for PTC
1115 demonstration waiver	Varies by state[7]	Varies by state—if MEC, ineligible for PTC
Children's Health Insurance Program (CHIP)	YES	NO[11, 12]
Department of Veterans Affairs (VA) coverage		
Veterans Health Care Program	YES	YES, unless actually enrolled in coverage
Civilian Health and Medical Program of the VA (CHAMPVA)	YES	YES, unless actually enrolled in coverage
Spina Bifida Health Care Benefits Program	YES	YES, unless actually enrolled in coverage

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TRICARE		
TRICARE *Includes TRICARE Prime, TRICARE Overseas Program (TOP) Prime, TRICARE Prime Remote, TRICARE Prime Remote for Active Duty Family Members, TRICARE Standard and TRICARE Extra, TOP Standard, TRICARE for Life (TFL), TFL Overseas, US Family Health Plan, and TRICARE Plus with TFL*	YES	NO
Transitional Assistance Management Program	YES	YES, unless actually enrolled in coverage
Continued Health Care Benefit Program	YES	YES, unless actually enrolled in coverage
TRICARE Young Adult	YES	YES, unless actually enrolled in coverage
TRICARE Reserve Select	YES	YES, unless actually enrolled in coverage
TRICARE Retired Reserve	YES	YES, unless actually enrolled in coverage
TRICARE programs offering limited benefits *Includes TRICARE Plus, direct care, line-of-duty care, and transitional care for service-related conditions*	NO	YES
Peace Corps coverage	YES	NO
Dept of Defense Continuation Coverage (Nonappropriated Fund Health Benefits Program)	YES	NO
Refugee Medical Assistance	YES	NO
Basic Health Program standard health plan *Currently only exists in NY (The Essential Plan) and MN (MinnesotaCare)*	YES	NO
AmeriCorps	NO	YES

6. Special rules apply to people who qualify for Medicare based on having End-Stage Renal Disease. For more information, see CMS's FAQs Regarding Medicare and the Marketplace.
7. Medicaid coverage for pregnant women, the medically needy, and under 1115 demonstration waivers is MEC if it consists of or is equivalent to full Medicaid benefits. HHS maintains a list of state-by-state MEC designations for such coverage.
8. New applicants who are determined eligible for pregnancy-related Medicaid that is MEC are not eligible for PTC. However, a woman enrolled in a marketplace QHP who becomes pregnant and is subsequently determined eligible for pregnancy-related Medicaid that is MEC can choose to stay in the QHP with PTC or enroll in Medicaid.
9. A hardship exemption from the penalty is available to individuals enrolled in pregnancy-related Medicaid coverage that is not MEC, pregnant women who receive coverage through enrollment of their unborn child in CHIP, and individuals enrolled in medically needy coverage that is not MEC.
10. Medically needy coverage that receives MEC designation from HHS is considered MEC only for individuals who qualify for it without a spenddown requirement. It is not considered MEC for individuals who qualify for comprehensive coverage only after incurring medical expenses to meet a spenddown amount.
11. An individual who is subject to a waiting period in CHIP is treated as not eligible for CHIP and is eligible for PTCs during the waiting period.
12. An individual who is eligible for Medicaid or CHIP but who is not enrolled because of failure to pay any required premiums is treated as eligible for Medicaid or CHIP. Similarly, an individual who loses coverage for failure to pay premiums and is subject to a lockout period is treated as eligible for Medicaid or CHIP and is not eligible for PTCs during the lockout period.

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OTHER COVERAGE		
Certain foreign coverage *Coverage under a group health plan provided through insurance that is regulated by a foreign government*	YES	NO
Certain coverage for business owners *Includes any plan, fund, or program that would be MEC with respect to an individual but for the fact that the coverage is provided to business owners, or their spouses or dependents*	YES	NO
Coverage recognized by HHS as MEC *HHS maintains a list of other coverage it recognizes as MEC*	YES	NO
Coverage consisting solely of excepted benefits, such as: • Stand-alone vision care or dental care • Worker's compensation • Accident or disability policies • Medical discount plans • Fixed-dollar indemnity plans • Critical-illness or specific disease policies	NO	YES
Short-term, limited duration coverage *May be referred to as "term" health insurance or transitional coverage*	NO	YES

Sources:

- 26 CFR 1.36B-2: Defines eligibility for the premium tax credit, including when an individual is considered eligible for government-sponsored minimum essential coverage.
- 26 CFR 1.5000A-2: Defines what types of plans are or are not considered minimum essential coverage.
- 45 CFR 155.305: Describes eligibility for the premium tax credit, including requirement that people must not be eligible for other minimum essential coverage.
- IRS Notice 2013-41, Eligibility for Minimum Essential Coverage for Purposes of the Premium Tax Credit: Provides guidance on whether or when an individual is eligible for MEC for purposes of the premium tax credit (available at: www.irs.gov/pub/irs-drop/n-13-41.pdf).
- November 7, 2014 Letter to State Health Officials and Medicaid Directors Regarding Minimum Essential Coverage (SHO #14-002): Provides guidance on when Medicaid coverage for pregnant women, for medically needy individuals, and under section 1115 demonstration waivers are considered MEC (available at: www.medicaid.gov/federal-policy-guidance/downloads/sho-14-002.pdf).
- August 1, 2014 Frequently Asked Questions Regarding Medicare and the Marketplace: Describes interactions between Medicare and Marketplace eligibility (available at: www.cms.gov/Medicare/Eligibility-and-Enrollment/Medicare-and-the-Marketplace/Downloads/Medicare-Marketplace_Master_FAQ_8-28-14_v2.pdf).
- IRS Notice 2014-71, Eligibility for Minimum Essential Coverage Under Pregnancy-Based Medicaid and CHIP Programs: Provides guidance on eligibility for MEC for purposes of the PTC for pregnancy-related Medicaid and CHIP (available at: www.irs.gov/pub/irs-drop/n-14-71.pdf).