

FAQ

New Rule Eliminates the “Family Glitch”

A new Treasury regulation finalized in October 2022 changes the rules used to determine whether an offer of employer-sponsored coverage is affordable to the spouse and dependents of an employee. These changes make many more people eligible for the premium tax credit (PTC), which can be used to purchase coverage through the marketplace.

1

What was the “family glitch”?

Before this new regulation took effect, the affordability of an offer of employer-sponsored coverage (for employees as well as their spouse and dependents) was determined based on the cost of employee-only coverage. If the cost of employee-only coverage was affordable, then no one in the household could qualify for a [premium tax credit](#), even if the family premium would be considered unaffordable.

2

What are premium tax credits and who is eligible?

Premium tax credits are a subsidy that lowers the cost of a person’s monthly premiums for marketplace plans. To be eligible for PTC, a person must:

- ▷ Be a US citizen or lawfully present immigrant (for more information, see [FAQs: Health Insurance Affordability Programs’ Eligibility Based on Immigration Status](#));
- ▷ Not be incarcerated;
- ▷ Live in an area serviced by an ACA marketplace; and,
- ▷ Have an income that is at or above the federal poverty level (exceptions apply for some people who are immigrants; see [FAQs: Health Insurance Affordability Programs’ Eligibility Based on Immigration Status](#)). From 2021 through 2025, there is no upper income limit for PTC eligibility; PTCs ensure no one pays more than 8.5 percent of income in premiums for marketplace coverage.

In addition, to be eligible for PTC, people cannot be eligible for other types of minimum essential coverage, including employer-sponsored coverage that meets both adequacy and affordability requirements.

3

What are the adequacy and affordability standards for employer-sponsored coverage?

Employer-sponsored coverage meets the minimum value test and is considered adequate if it covers at least 60 percent of the total cost of covered medical services for a set population. This information is available in the Summary of Benefits and Coverage for the plan.

Employer-sponsored coverage is considered affordable if the employee's share of the premium is less than or equal to 9.12 percent of the employee's household income in 2023. (This percentage is indexed and changes each year. For yearly guidelines, see [Reference Chart: Yearly Guidelines and Thresholds](#).)

If a person has an offer of employer-sponsored coverage that fails to meet either requirement, they may be eligible for PTC to purchase a marketplace plan.

4

How is the affordability standard changing?

Beginning with the 2023 plan year, affordability of employer-sponsored coverage for an employee's family members is based on whether the employee's premiums for family coverage – not employee-only coverage – are affordable for the household. This means that an employee's spouse and dependents may be newly eligible for PTC in 2023 if an employee's share of premiums for employer-sponsored family coverage is more than 9.12 percent of household income.

Affordability of employer-sponsored coverage for the employee will continue to be based on whether the employee has an offer of affordable self-only employer-sponsored coverage.

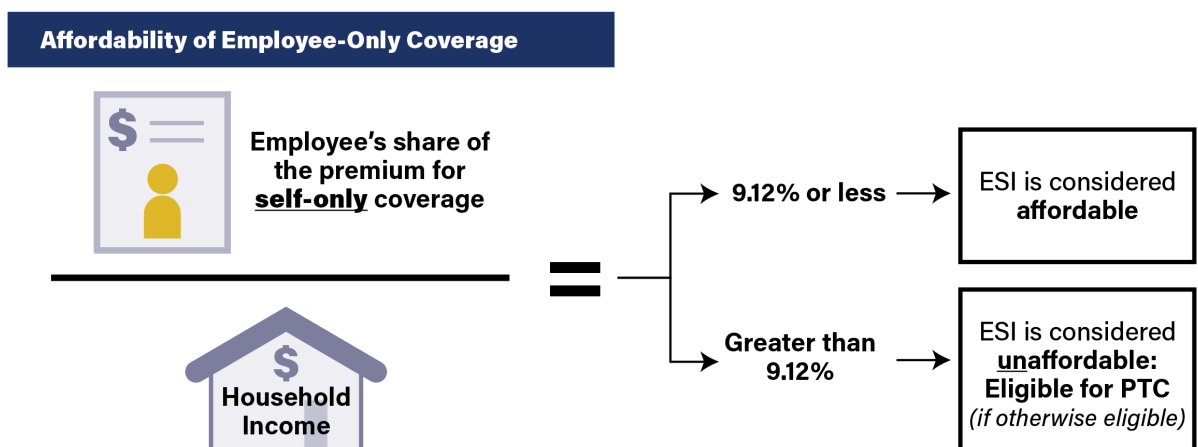
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How do you determine whether employer-sponsored coverage is affordable?

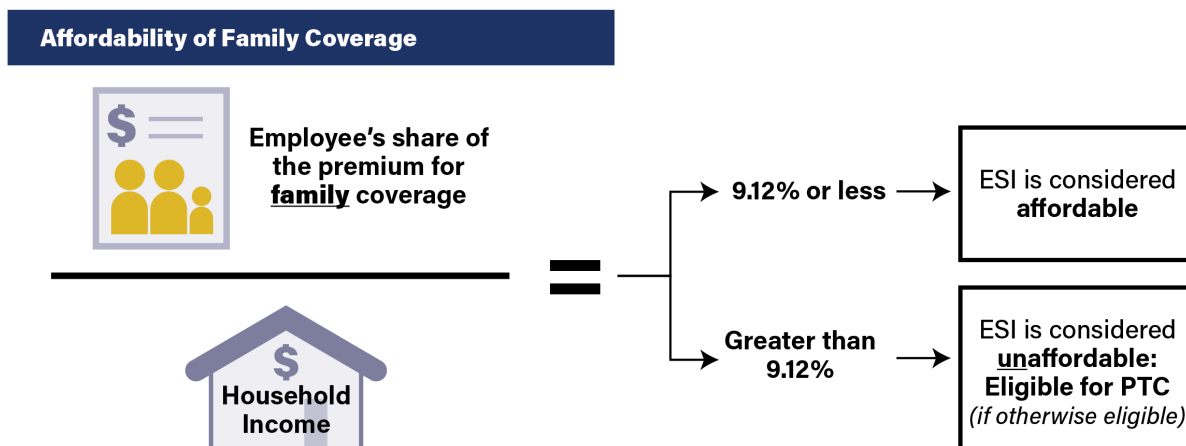
First, calculate household income using the same methods used to calculate household income to determine eligibility for PTC (modified adjusted gross income, or MAGI). For more information, see [Determining Household Size for the Premium Tax Credit](#).

- ▶ **To determine whether the employee** has an offer of affordable coverage, divide the employee's share of the premium for self-only employer-sponsored coverage by household income.

Note: The marketplace application includes [or will include, as implementation is finalized in state-based marketplaces (SBMs)] questions about whether family members have offers of employer-sponsored coverage and the premium costs to the employee for these offers. As in previous years, the system will then assess the affordability of these offers and take this into account in the determination of PTC eligibility. **The steps in the process are provided for assisters that want to understand the process, but people will not need to manually make these calculations.** HealthCare.gov has updated its application as of November 1, 2022. SBMs are at different stages of implementation; if you live in a state with an SBM, check with your state to confirm the process.



- + If the employee is offered multiple plans, use the plan with the lowest premium.
 - + If the result is greater than 9.12 percent, the employee is eligible for PTC (assuming they meet all other eligibility requirements).
- ▷ **To determine whether a spouse or dependents** have an offer of affordable coverage, divide the employee's share of the premium for family coverage offered by the employer by household income.



- + If the employer offers a choice of multiple family plans, use the plan with the lowest premium.
- + If the employer offers a choice of enrollment options for family coverage (e.g. an employee + spouse option and a family option), use the lowest premium for coverage that is available to all household members, even if one of the household members is not seeking coverage or is eligible for other coverage.
- + If the result is greater than 9.12 percent, the family members are eligible for PTC (assuming they meet all other eligibility requirements).

If multiple family members have offers of employer-sponsored coverage, perform these tests for each employer's coverage offer(s). If a family member has any offer of affordable coverage – whether it is employee-only coverage or family coverage – then they are not eligible for PTC.

6 What if a person does not know how much their employer-sponsored coverage costs or whether it meets the minimum value standard? How can they find this information?

People can download the [Employer Coverage Tool](#) from HealthCare.gov and complete the "Employee Information" section. They should then ask their employer's human resources department or benefits administrator to complete the "Employer Information" section, which requests information about the premium cost for employer-sponsored coverage and whether the coverage meets the minimum value standard.

If the employer does not complete the form or share this information in another format, the person should complete their application for marketplace coverage with any information they have about their eligibility for employer-sponsored coverage, the cost of that coverage, and whether it meets minimum value. The marketplace will determine PTC eligibility based on the

information provided by the applicant and any information obtained from the employer.

7

What if the employer only provides the premium amount for each paycheck, rather than the monthly or annual premium?

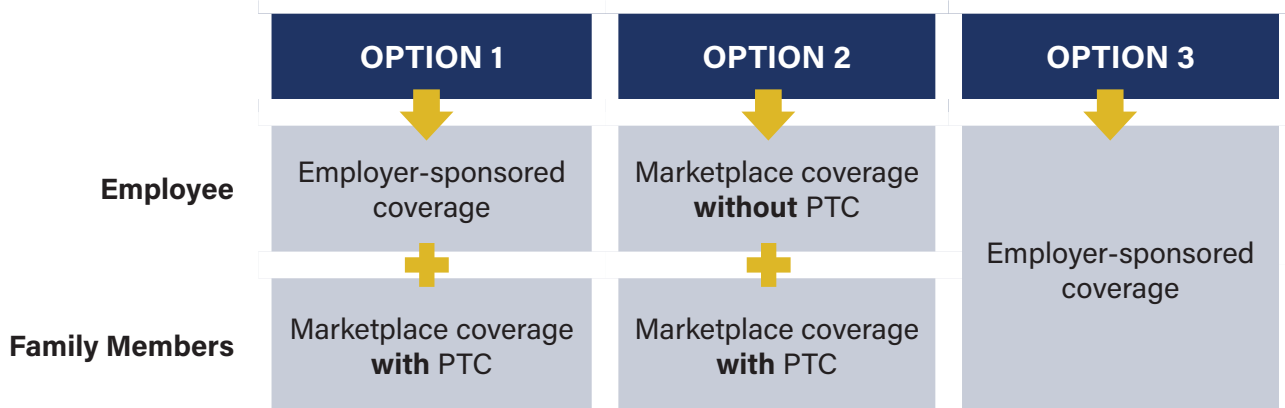
The HealthCare.gov application asks applicants to enter how often their premium is due, so people can enter their cost based on the information they have, and the system will use that information to make the affordability calculation. The Employer Coverage Tool also asks employers to provide information about how often premiums are due.

8

What if only some members of a household qualify for PTC? Should family members consider enrolling in separate plans?

As a result of the new rule, it is possible that some people in the household will qualify for PTC while others will not. For example, an employee could have an employer offer of affordable self-only coverage, while the employer's offer of family coverage is not considered affordable. In this case, the employee would not be eligible for PTC, but the other members of their tax household would. In these situations, the household has a few options:

- ▶ **Option 1:** The employee could enroll in employer-sponsored coverage while their family members enroll in marketplace coverage with PTC.
- ▶ **Option 2:** The employee could enroll in full-cost marketplace coverage (without PTC) and their family members could enroll in marketplace coverage with PTC.
- ▶ **Option 3:** The whole family could enroll in employer-sponsored coverage, although this is likely the most expensive option.



Note: Each box has separate deductibles and its own out-of-pocket maximum and may have different provider networks and different prescription drug coverage. This visual is an example; actual options will vary by household.

Assisters should help families understand their options, compare the cost of premiums, deductibles, and cost-sharing, and consider whether each plan covers the family's preferred health care providers and prescription drugs. (For help with this process, see our [Plan Comparison Worksheet](#).) Assisters should also remind families that if family members are enrolled in different plans, they will need to pay separate monthly premiums and will have separate deductibles and out-of-pocket maximums for each plan.

9

Does this change to the affordability test for family coverage apply to every state or only states that use HealthCare.gov?

This change applies in every state, regardless of whether the state uses HealthCare.gov or its own marketplace. State-based marketplaces have their own timelines for implementation, and some have workarounds in the interim (e.g. calling the marketplace or resubmitting an application when an individual should qualify for PTC based on the change). Check with your state's marketplace for details.

10

What if people are already enrolled in an employer-sponsored plan but are now eligible for PTC? When can they switch to marketplace coverage with PTC?

Family members who are newly eligible for PTC due to the change in the affordability test can choose a marketplace plan during open enrollment (November 1 through January 15 in states that use HealthCare.gov).

In states that use HealthCare.gov:

- ▶ Family members with employer-sponsored coverage may also qualify for a Special Enrollment Period (SEP) outside of open enrollment if they are newly eligible for PTC because of the change in the affordability test and if their employer allows them to drop their current coverage. Family members who wish to access this SEP should answer "yes" to the application question that asks about losing qualifying health coverage and enter the date they can end their employer coverage or the date they lost it in the past.
- ▶ If a person is enrolled in employer-sponsored coverage that ends in a month other than December, they will qualify for a Special Enrollment Period (SEP) up to 60 days before the last day of the plan year or 60 days after the last day of the plan year.
- ▶ If a person is enrolled in employer-sponsored coverage and experiences a decrease in income that makes them newly eligible for PTC, they will qualify for an SEP for up to 60 days after the date their income changes. They must have had coverage for at least 1 day in the 60 days before the date of the income change.

SEP policies vary in states with State-based marketplaces; check with the State-based marketplace for details. For more information on SEPs, see this [Special Enrollment Period Reference Chart](#).

Assisters should encourage people to check with their employer about when they are permitted to drop employer-sponsored coverage before enrolling in a marketplace plan. Rules vary by plan.

11

What happens if a person's offer of employer-sponsored coverage changes mid-year and is newly considered unaffordable?

If a person (including a family member of an employee) becomes newly eligible for PTC because of a change in employer-sponsored coverage, which includes a change in premiums that affect whether coverage is considered affordable, then the person will be eligible for an SEP. The SEP begins 60 days before the change to their employer-sponsored coverage and ends 60 days after the change to their employer-sponsored coverage.

12

Will a person need to repay the advance premium tax credit (APTC) if they had an offer of unaffordable employer-sponsored coverage when they enrolled in a marketplace plan, but their income increases during the year and as a result, their employer-sponsored coverage offer no longer exceeds the affordability threshold?

There is a safe harbor for people in this situation. People who have an unaffordable offer of employer-sponsored coverage when they submit their marketplace application and are receiving APTC will not need to repay APTC if their income increases during the year such that their employer-sponsored offer would be considered affordable.

However, people must report this change when they renew coverage for the following year and would no longer be eligible for PTC in the new coverage year.

13

Will large employers face a penalty if they do not offer affordable family coverage?

The new rule does not affect the employer shared responsibility penalty. Large employers will continue to be assessed a penalty if they do not offer minimum essential coverage to 95 percent of full-time employees and their dependents, and if any full-time employee receives PTC. Because the penalty is only triggered if an employee (and not their family members) receives PTC, large employers will not face a penalty if they fail to offer affordable coverage to an employee's spouse or dependents.

EXAMPLES:

A

Determining If Family Members Have an Offer of Affordable ESI

Anna earns \$30,000 a year and her employer offers coverage. She files taxes jointly with her spouse, David, who makes \$20,000 a year, and does not have an offer of employer-sponsored coverage. Anna and David claim their daughter, Bailey, as a dependent.

Anna's employer-sponsored coverage satisfies minimum value requirements and her premium for self-only coverage costs \$3,000. However, the cost of family coverage for Anna, David, and Bailey is \$6,250.

Under the old affordability calculation, based on the cost of coverage for Anna alone, David and Bailey would be ineligible for PTC. Anna's premium for self-only coverage – \$3,000 – does not exceed 9.12 percent of their total household income of \$50,000.

However, for coverage beginning in plan year 2023, David and Bailey

EX. A: Summary of Plan Costs & Household Income	
Annual household income	\$50,000
Anna's employee-only premium cost:	\$3,000/year
Anna's family premium cost:	\$6,250/year
Meets minimum value?	Yes



	ESI AFFORDABILITY TEST	ELIGIBLE FOR PTC?
Anna	Self-only coverage: \$3,000 = 6% of household income	✗ No
David & Bailey	Family coverage: \$6,250 = 12.5% of household income	✓ Yes

would qualify for PTC, since their premium for family coverage – \$6,250 – is 12.5 percent of their household income, easily exceeding the 9.12 percent threshold for 2023. Anna would still not be eligible for PTC because premiums for her self-only coverage do not exceed 9.12 percent of household income.

B

Multiple Enrollment Options for Family ESI Coverage

Now, assume the same situation except that Anna’s employer offers two different enrollment options for family coverage. Coverage for an employee and spouse costs \$4,500, while coverage for an employee, spouse, and dependents costs \$6,250.

To determine whether her family has an offer of affordable employer-sponsored coverage, Anna should use the lowest premium for the plan that is offered to **everyone** in her household. In this case, that plan would be the employee, spouse, and dependent coverage option, which costs \$6,250. Because the cost of family coverage is 12.5 percent of their household income – exceeding the 9.12 percent threshold for 2023 – David and Bailey are eligible for PTC. Anna would still not be eligible for PTC because premiums for her self-only coverage do not exceed 9.12 percent of household income.

EX. B: Summary of Plan Costs & Household Income	
Annual household income:	\$50,000
Employee-only premium cost:	\$3,000/year
Employee + spouse cost:	\$4,500/year
Employee + spouse + dependents cost:	\$6,250/year
Meets minimum value?	Yes



	ESI AFFORDABILITY TEST	ELIGIBLE FOR PTC?
Anna	Self-only coverage: \$3,000 = 6% of household income	✗ No
David & Bailey	Family coverage: \$6,250 = 12.5% of household income	✓ Yes

C

Non-Dependent Children Under Age 26

Say Anna and David have a second child, Margaret, who is 24 years old and lives at home. Margaret works full-time, earning \$20,000 annually, and does not have an offer of employer-sponsored coverage from her job. Anna and David do not claim Margaret as a dependent. Because Margaret is not Anna and David’s tax dependent, her income is not used in the affordability calculation. Anna’s employer’s family coverage is therefore still considered unaffordable. David and Bailey are eligible for marketplace coverage with PTC.

EX. C: Summary of Plan Costs & Household Income	
Annual household income	\$50,000
Anna's employee-only premium cost:	\$3,000/year
Anna's family premium cost:	\$6,250/year
Meets minimum value?	Yes



	ESI AFFORDABILITY TEST	ELIGIBLE FOR PTC?
Anna	Self-only coverage: \$3,000 = 6% of household income	✗ No
David & Bailey	Family coverage: \$6,250 = 12.5% of household income	✓ Yes
Margaret	n/a	✓ Yes

Because Margaret is under the age of 26, she can enroll in her mom’s employer-sponsored coverage, although the cost to cover her is not counted toward the affordability test for David and Bailey. Alternatively, if Margaret does not enroll in Anna’s employer-sponsored coverage, she can enroll in marketplace coverage as a household of one and get PTC.

D

Multiple Family Members Have ESI Offers

Alternatively, assume that Anna and David both have offers of employer-sponsored coverage that meet the minimum value standard. Anna’s employer offers affordable employee-only coverage but unaffordable family coverage. David’s employer also offers affordable employee-only coverage but unaffordable family coverage. Anna and David each have an offer of affordable employer-sponsored coverage. This means that they are not eligible for PTC.

However, as long as she is not eligible for Medicaid or the Children’s Health Insurance Program, their dependent daughter, Bailey, will be eligible for PTC because she cannot enroll in affordable family coverage through either of her parents’ employers.

As in Example C, Margaret could enroll in either of her parents’ employer-sponsored coverage, but the cost of her coverage would not count toward the affordability calculation for family coverage for her parents and Bailey. Margaret could also enroll in marketplace coverage as a household of one and get PTC.

EX. D: Summary of Plan Costs & Household Income	
Annual household income:	\$50,000
Anna's employee-only premium cost:	\$3,000/year
Anna's family premium cost:	\$6,250/year
David's employee-only premium cost:	\$1,500/year
David's family premium cost:	\$7,200/year



	ESI AFFORDABILITY TEST	ELIGIBLE FOR PTC?
Anna	Self-only coverage: \$3,000 = 6% of household income	✗ No
David	Self-only coverage: \$1,500 = 3% of household income	✗ No
Bailey	Lowest cost family coverage: \$6,250 = 12.5% of household income	✓ Yes
Margaret	n/a	✓ Yes

For more information on employer-sponsored coverage and premium tax credits, please visit this resource from [Beyond the Basics](#).

For more information on premium tax credits, visit [here](#).