

The 2020 California Individual Health Care Mandate – How can you help your employees be compliant?

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A key component of the Affordable Care Act (ACA) otherwise known as Obamacare, was the individual mandate. This mandate required that US citizens maintain Minimum Essential Health Coverage (MEC) or face a penalty of \$695 per adult and/or \$347.50 per child (under 18) or 2.5% of the family's yearly household income, whichever is higher. That individual mandate went away as of 2019 thanks to the Tax Cuts and Jobs Act. However, the State of California and three other states have chosen to include their own version of the individual mandate beginning in 2020.

The California state individual mandate essentially mirrors the Federal mandate. It requires individuals to maintain Minimum Essential Coverage (MEC) or face a penalty of \$695 (\$347.50 for kids) or 2.5% of the household income. The penalty is capped at the average annual cost of the California state bronze plan premium.

What is considered Minimum Essential Coverage?

Government-sponsored program

- Medicare
- Medicaid
- Children's Health Insurance Program (CHIP)
- TRICARE

An eligible Employer-sponsored plan

- Group governmental coverage
- Group coverage found on or equivalent to the small or large group market

Health insurance purchased individually or via Covered California

Grandfathered health coverage

Who is exempt from the California individual mandate penalty?

- Individuals who cannot afford coverage
- Religious conscience objectors
- Members of a health care sharing ministry
- Incarcerated individuals
- Individuals not lawfully present in the United States
- Members of an Indian tribe
- Nonresident taxpayers
- Individuals enrolled in limited or restricted scope coverage under the Medi-Cal program or similar

As an employer, how can you help your employees stay compliant with the mandate?

Companies with fewer than 50 full-time equivalent employees

If your company has under 50 full-time equivalent employees (FTE's), you are not required by the Affordable Care Act (ACA) to offer health insurance to your employees. However, if you do offer group

health insurance, those employees who participate on the plan have fulfilled their requirement and will avoid the mandate penalty.

If you don't offer a traditional group plan because it's cost prohibitive, consider offering a basic Minimal Essential Health Care (MEC) plan. They are very inexpensive, require no contribution from the employer and will allow your employees to be compliant with the mandate in 2020.

Companies with over 50 full-time equivalent employees

For companies with over 50 FTE's, compliance with the Affordable Care Act (ACA) is still required. There are two key penalties that should be avoided:

Penalty A 4980H(a)

Employers must offer at least Minimum Essential Coverage (MEC) to at least 95% of the benefit eligible employees. Non-compliance will generally result in a penalty of \$2,570 per eligible employee.

Penalty B 4980H(b)

Employers must offer a minimum value plan that meets at least 60% actuarial value including hospitalization services. The minimum value plan must be offered at a maximum employee contribution of 9.76% (2020) of the employee's income, with the employer paying the difference. Non-compliance will generally result in a \$3,860 penalty for each employee whom enrolls in coverage through the state exchange and receives a premium subsidy.

If you have over 50 FTE's, offering a compliant affordable plan is the best course of action. However, for those employees who waive the company health insurance and have no other affordable option, consider offering a Minimum Essential Coverage plan or Limited Medical Plan. These plans are limited but they can be very inexpensive, provide some basic benefits for those employees who would be going without coverage and will avoid the individual mandate penalty.

The Affordable Care Act (ACA) and the California Individual Mandate requirements are complex and non-compliance can be costly to the company and/or the employee. The best course of action is to engage the services of a qualified employee benefits broker or consultant and have a compliance risk assessment completed to determine what your company's requirements are and what the potential penalties are in the event of non-compliance.



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