October 1, 2013

Re: ACA Required “Minimum Value” and “Affordability” Testing

Dear Members & Participants:

As you are aware, 2014 brings more required changes under the Affordable Care Act (ACA). The state health care exchanges will be in place and annual limits on essential health benefits are eliminated to name a few. Another important requirement will be in place for employers; specifically, the requirement to provide health insurance coverage that is “affordable” with plan benefits that meet a certain “minimum value” or face a tax penalty. The purpose of this letter is to address on a preliminary basis each of these requirements.

“Minimum value” test – In order to meet the minimum value threshold, the plan must cover at least 60% of the total allowed costs of benefits. To calculate the minimum value, the U.S. Health and Human Services (HHS) created an automated minimum value calculator worksheet. Using this worksheet, the Plan’s benefit plan structure for active employees yields a Plan benefit value of 91.2%. This means the Plan’s health coverage is expected to satisfy the minimum value criteria under the ACA for 2014.

Employer “affordability” test – In order for the Plan’s coverage to be considered affordable, the annual premium for single health coverage cannot exceed 9.5% of the employee’s annual income. For multiemployer plans subject to multiple collective bargaining agreements, the coverage is affordable for those employees that meet the eligibility rule requirements.

Testing of affordability for those employees not actively employed cannot be determined as it is based on the amount of premium vs. their annual income.

If you have any questions, please feel free to contact the undersigned.

Sincerely,

Tim Morrin
Fund Administrator