BENEFITS BUZZ

ACA's Pay-or-Play Affordability Percentage Increases for 2025

On Sept. 6, 2024, the IRS released the affordability percentage threshold for 2025 plan years under the Affordable Care Act's (ACA) pay-or-play rules. These rules require ALEs to offer affordable, minimum-value health coverage to their full-time employees (and dependents) or risk paying a penalty.

For plan years beginning in 2025, employer-sponsored coverage will be considered affordable under the ACA's pay-or-play rules if the employee's required contribution for self-only coverage does not exceed **9.02%** of their household income for the year. This is an increase from the affordability percentage for 2024 plan years (8.39%). Due to this increase, applicable large employers (ALEs) may have more flexibility when setting employee contribution levels for the 2025 plan year.

The ACA's affordability test applies only to the portion of the annual premiums for self-only coverage and does not include any additional cost for family coverage. Also, if an employer offers multiple health coverage options, the affordability test applies to the lowest-cost option that provides minimum value.

Because an employer generally will not know an employee's household income, the IRS has provided three optional safe harbors that ALEs may use to determine affordability based on information that is available to them: the Form W-2 safe harbor, the rate of pay safe harbor and the federal poverty level safe harbor.

Final Rule Strengthens Mental Health Parity Law

On Sept. 9, 2024, the Departments of Labor, Health and Human Services, and the Treasury (Departments) released a final rule to strengthen the requirements of the Mental Health Parity and Addiction Equity Act (MHPAEA). The final rule is designed to ensure that individuals do not face greater restrictions to obtaining mental health and substance use disorder (MH/SUD) benefits than they would face for medical/surgical benefits.

The final rule adds protections against more restrictive nonquantitative treatment limitations (NQTLs), such as preauthorization requirements and network composition standards. For example, the final rule requires group health plans and health insurance issuers to collect and evaluate data related to the NQTLs they place on MH/SUD care and make changes if the data shows they are providing insufficient access.

The final rule also establishes minimum standards for developing comparative analyses to assess whether NQTLs comply with MHPAEA's requirements. In most cases, employers rely on issuers and third-party vendors to prepare comparative analyses for their health plans. However, the final rule requires the comparative analyses for health plans covered by ERISA to include a fiduciary's certification that they have engaged in a prudent process and monitored their service providers.

The final rule generally applies for plan years beginning on or after Jan. 1, 2025; however, certain key requirements, such as NQTL data requirements, apply for plan years beginning on or after Jan. 1, 2026.

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