

Law &amp; Policy Group

**GRIST**

# 2021 federal poverty levels can impact ESR affordability

*Mercer's Cheryl Hughes and Dorian Z. Smith*  
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Updated [guidelines](#) set the 2021 federal poverty level (FPL) at \$12,880 — up from \$12,760 in 2020 — for a person living in the mainland US, but \$14,820 in Hawaii and \$16,090 in Alaska. Under the Affordable Care Act (ACA), the FPL can affect employer shared-responsibility (ESR) assessments in two ways:

- **Premium tax credits.** Individuals with household incomes between 100% and 400% of the FPL are potentially eligible for premium tax credits for health coverage purchased through a public exchange. Full-time employees' receipt of subsidized exchange coverage can trigger assessments.
- **Affordability testing.** Employers can use the FPL under one ESR safe harbor to test whether their lowest-cost, self-only minimum essential coverage (MEC) with minimum value is affordable to employees. When conducting this test, an employer may use any applicable FPL in effect within six months before the start of the plan year.

**2021 FPL affordability safe harbors.** The Department of Health and Human Services (HHS) annually adjusts the FPL to reflect the year-to-year increase in the Consumer Price Index for All Urban Consumers. HHS issued 2021 FPL figures effective Jan. 13, so employers with calendar-year plans can't rely on the higher FPLs for 2021 affordability testing. Instead, calendar-year plan sponsors must use the 2020 FPL [amounts](#). As a result, the 2021 FPL safe-harbor monthly employee contribution limits for the lowest-cost, self-only MEC with minimum value:

- **Noncalendar-year plans beginning in 2021:** \$105.51, calculated as  $(9.83\% \times \$12,880 \text{ FPL for 2021}) \div 12$ , rounded to the nearest penny
- **2021 calendar-year plans:** \$104.53, calculated as  $(9.83\% \times \$12,760 \text{ FPL for 2020}) \div 12$ , rounded to the nearest penny

## Related resources

### Non-Mercer resources

- [HHS poverty guidelines for 2021](#) (HHS, Jan. 13, 2021)
- [Employer shared-responsibility provisions](#) (IRS, Dec. 29, 2020)
- [Q&As on employer shared-responsibility provisions under the Affordable Care Act — Affordability](#) (see Q&A 40) (IRS, Sept. 24, 2020)
- [Annual update of the HHS poverty guidelines for 2020](#) (Federal Register, Jan. 17, 2020)

### Mercer Law & Policy resources

- [Affordable percentage will rise for employer health coverage in 2021](#) (July 22, 2020)
- [Employers face ongoing liability for ACA play-or-pay assessments](#) (March 2, 2020)
- [Updated 2020 federal poverty levels can impact ESR affordability](#) (Jan. 22, 2020)

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