ACA EMPLOYER COMPLIANCE REFERENCE

THE 2026 ACA COMPLIANCE GUIDE

Employer Shared Responsibility, affordability, penalties, reporting, and plan design for the 2026 plan year. Each figure is the current 2026 amount, drawn from the Internal Revenue Code, its regulations, and the IRS revenue procedures that set the annual values.

APPLICABLE LARGE EMPLOYERS | BENEFITS ADVISORS | PLAN YEAR 2026

THE OPTIV GROUP
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Current as of the 2026 plan year
Sourced to IRS and federal authority

A COMPLIANCE REFERENCE FOR APPLICABLE LARGE EMPLOYERS AND THEIR ADVISORS · INFORMATIONAL ONLY · NOT LEGAL OR TAX ADVICE

01 Who must comply
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FRONT MATTER

HOW TO USE THIS GUIDE

This guide sets out the Affordable Care Act requirements that apply to employers for the 2026 plan year. It is organized the way an employer encounters the rules: who must comply, what coverage must satisfy, what it costs to get it wrong, what must be reported and when, and what changes for 2026 specifically.

A REFERENCE, NOT ADVICE

The Affordable Care Act is administered by multiple federal agencies, and its application turns on an employer's specific facts. This guide states the current figures and the rules that govern them. Employers should confirm their obligations with qualified benefits counsel and a tax advisor before acting.

THE TEN SECTIONS

01 WHO MUST COMPLY
ALE status, set each year by the prior year's workforce.

02 THE THREE COVERAGE TESTS
Minimum essential coverage, minimum value, and affordability.

03 AFFORDABILITY FOR 2026
The 9.96% threshold and the three optional safe harbors.

04 MANDATE PENALTIES
The §4980H(a) and (b) penalties, annual and monthly.

05 REPORTING
Forms 1094-C and 1095-C, and the filing deadlines.

06 PLAN DESIGN CHANGES
Cost-sharing, HSA, FSA, and EBHRA limits for 2026.

07 PCORI & DISCLOSURES
PCORI fees, the SBC, and required notices.

08 COMMON FAILURES
The recurring administrative sources of liability.

09 VARIABLE-HOUR WORKFORCES
Measurement methods for variable-hour staff.

10 FIXED-INDEMNITY FIT
How a supplemental benefit sits alongside compliance.

Sourced to IRS and federal authority. A reference, not advice.

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THE SHORT VERSION

EXECUTIVE SUMMARY

The ACA employer mandate remains in full effect for 2026. An applicable large employer, one that averaged at least 50 full-time employees including equivalents in the prior year, must offer affordable, minimum-value coverage that is also minimum essential coverage to at least 95 percent of its full-time employees and their dependent children, or face a penalty if a full-time employee obtains subsidized Marketplace coverage.

THE STAKES FOR 2026, IN THREE FIGURES

2026
9.96%
Affordability threshold, the highest since the mandate took effect, up from 9.02% in 2025.
Rev. Proc. 2025-25

2026
$3,340
Section 4980H(a) penalty, per full-time employee, for failing to offer coverage.
Rev. Proc. 2025-26

2026
$5,010
Section 4980H(b) penalty, per affected employee, for unaffordable or sub-minimum-value coverage.
Rev. Proc. 2025-26

Two figures define the stakes. The affordability threshold rose to 9.96 percent of household income, giving employers more room to set employee contributions while remaining compliant.[1] At the same time, both mandate penalties increased for 2026.[2]

The compliance obligations themselves are stable, but the dollar amounts, the affordability percentage, the penalties, the cost-sharing limits, and the contribution caps reset every year, and 2026 brings meaningful changes to each. This guide states the current figures and the rules that govern them.

PLAIN-LANGUAGE SCOPE

Every figure in this guide is the current 2026 value. Compliance turns on an employer's own facts; this summary does not substitute for the section detail that follows, or for advice from qualified counsel.

Sourced to IRS and federal authority. A reference, not advice.

SOURCES

1 IRS Revenue Procedure 2025-25 (2026 affordability percentage). 2 IRS Revenue Procedure 2025-26 (2026 Section 4980H penalty amounts).

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SECTION 1

WHO MUST COMPLY

The employer mandate applies only to applicable large employers. An **ALE** is an employer that employed an average of at least 50 full-time employees, including full-time equivalents, on business days during the preceding calendar year. Status is determined each year from the prior year, so 2026 status is set by 2025 employment.[1]

50 2026

Full-time employees, including equivalents, that make an employer an ALE.

IRC §4980H

30 hrs 2026

Per week, or 130 hours per month, defines a full-time employee.

IRC §4980H

Full-time equivalents are calculated by aggregating part-time hours for the purpose of determining ALE status, though the equivalents are not themselves the employees to whom coverage must be offered. An employer that is not an ALE for 2026 is not subject to the mandate.

SECTION 2

THE THREE COVERAGE TESTS

To avoid penalties, an ALE's offer must satisfy three independent tests. Satisfying one does not establish the others; a plan can pass one while failing another.[2]

TEST 1

MINIMUM ESSENTIAL COVERAGE

The baseline category of qualifying coverage. Most employer-sponsored group health plans qualify.

TEST 2

MINIMUM VALUE

The plan pays at least 60 percent of total allowed benefit costs, and substantially covers inpatient and physician services.

TEST 3

AFFORDABILITY

The employee contribution for the lowest-cost self-only minimum-value option does not exceed the affordability percentage of household income.

The affordability test applies only to the cost of self-only coverage and does not consider the additional cost of family coverage. Section 3 addresses affordability in detail, because the percentage changes for 2026 and the safe harbors are a frequent source of error.

SOURCES

1 IRC §4980H and the implementing regulations (ALE determination; full-time employee definition). **2** IRS minimum value and minimum essential coverage guidance; IRC §4980H affordability provisions.

Sourced to IRS and federal authority. A reference, not advice.

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SECTION 3

AFFORDABILITY FOR 2026

For plan years beginning in 2026, the affordability percentage is 9.96 percent, a significant increase from 9.02 percent for 2025 and the highest it has been since the mandate took effect. The practical effect is that an employer may require a higher self-only contribution in 2026 than in 2025 while still meeting the requirement.[1]

> **Coverage is affordable if the employee's required contribution for the lowest-cost, self-only, minimum-value plan does not exceed 9.96% of household income.**
>
> IRC §4980H · REV. PROC. 2025-25

THE THREE OPTIONAL SAFE HARBORS

Because an employer generally cannot know household income, the IRS allows affordability to be measured against information the employer has. Different safe harbors may be used for different reasonable categories of employees, applied uniformly within each.[2]

W-2
FORM W-2 WAGES

Measures affordability against the employee's wages reported in Box 1 of Form W-2.

Rate
RATE OF PAY

Uses the hourly rate times 130 hours per month, or monthly salary for salaried employees.

FPL
FEDERAL POVERTY LEVEL

A single maximum contribution for all employees in the category. The simplest to administer.

2026

$129.90

FPL safe harbor: maximum monthly employee contribution, calendar-year plan.

approx. · Rev. Proc. 2025-25

2026

By plan year

A non-calendar plan uses the percentage in effect when its plan year begins, for the whole year.

IRS affordability guidance

SOURCES

1 IRS Revenue Procedure 2025-25 (2026 affordability percentage, 9.96%). 2 IRS employer shared responsibility affordability safe-harbor guidance under IRC §4980H.

Sourced to IRS and federal authority. A reference, not advice.

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SECTION 4

THE MANDATE PENALTIES FOR 2026

An ALE that fails the offer requirements may be liable for one of two penalties under Section 4980H. Both adjust for inflation each year, and both increased for 2026. Neither applies unless at least one full-time employee receives a premium tax credit through a Marketplace.[1]

SECTION 4980H(A)

Failure to offer MEC to at least 95% of full-time employees and dependents.

$3,340	$278.33
PER FT EMPLOYEE / YEAR	PER MONTH

Multiplied by the employer's **total** full-time workforce, reduced by the first 30, not only the employees who were not offered coverage.

SECTION 4980H(B)

Coverage offered, but unaffordable or below minimum value for an employee.

$5,010	$417.50
PER AFFECTED EMP. / YEAR	PER MONTH

Applies only to the **specific employees** who received a credit, with no reduction for the first 30. Capped at what the 4980H(a) penalty would have been.

The two penalties never both apply to the same employer for the same period; the (b) liability is capped at the amount the (a) penalty would have been.

HOW THE IRS ASSESSES

The IRS proposes a liability through **Letter 226-J**, which includes a response form, **Form 14764**, allowing the employer to agree to or contest the proposed amount before it is finalized.[2]

Sourced to IRS and federal authority. A reference, not advice.

SOURCES

1 IRS Revenue Procedure 2025-26 (2026 §4980H penalty amounts); IRC §4980H(a) and (b). **2** IRS Letter 226-J and Form 14764 (employer shared responsibility payment process).

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SECTION 5

REPORTING FOR THE 2026 FILING SEASON

ALEs must report their offers of coverage to the IRS and make statements available to employees. The obligations arise under Sections 6055 and 6056.[1]

FORM 1095-C

INFORMATION RETURN

Reports, for each full-time employee, the coverage offered month by month.

FORM 1094-C

TRANSMITTAL

Accompanies the 1095-C filings to the IRS. A self-funded ALE satisfies both 6055 and 6056 through this combined filing.

KEY DATES FOR THE 2025 RETURNS

Mar 2, 2026
Paper filing deadline (fewer than 10 returns); end of February extended over the weekend.

Mar 2, 2026
Individual-statement availability notice must be posted.

Mar 31, 2026
Electronic filing deadline. Virtually all employers must file electronically.

Oct 15, 2026
Posted notice must remain in place through this date.

STATEMENTS TO INDIVIDUALS

Employers are no longer required to furnish Forms 1095-C automatically. The requirement is satisfied by posting a clear and conspicuous notice by March 2, 2026, with an email address, physical address, and telephone number for requests, kept posted through October 15, 2026. Any request must be fulfilled within 30 days.[2] An automatic 30-day filing extension is available by submitting Form 8809 by the due date.

Sourced to IRS and federal authority. A reference, not advice.

SOURCES

1 IRC §§6055 and 6056 and the implementing regulations; IRS Forms 1094-C and 1095-C and instructions. **2** IRS guidance on alternative furnishing of individual statements; IRS Form 8809 (extension of time to file).

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SECTION 6

PLAN DESIGN CHANGES FOR 2026

Several plan-design figures reset for 2026. Confirm that plan documents, including the Summary of Benefits and Coverage, reflect the current limits before open enrollment.

PLAN DESIGN LIMIT, 2026 PLAN YEAR	SELF-ONLY	FAMILY
Out-of-pocket maximum, essential health benefits *Non-grandfathered plans · HHS NBPP 2026*	**$10,600**	**$21,200**
Out-of-pocket maximum, HSA-qualifying HDHP *Lower limit; applies instead of the EHB limit*	**$8,500**	**$17,000**
CONTRIBUTION & ACCOUNT LIMITS		
Health FSA salary-reduction limit *Up from $3,300 in 2025 · Rev. Proc. 2025-32*	**$3,400**	—
Health FSA carryover limit *Up from $660 in 2025 · Rev. Proc. 2025-32*	**$680**	—
Excepted-benefit HRA maximum *2026 plan years*	**$2,200**	—

FIRST-DOLLAR PREVENTIVE CARE

Non-grandfathered plans must continue to cover recommended in-network preventive services without cost sharing. For plan years beginning after December 30, 2025, plans must expand women's first-dollar coverage to include additional breast cancer imaging or testing needed to complete the initial screening, and must cover patient navigation services for breast and cervical cancer screening without cost sharing.[1]

An employer offering an HSA-compatible plan must apply the lower HDHP out-of-pocket maximum, not the general essential-health-benefits limit.

Sourced to IRS and federal authority. A reference, not advice.

SOURCES

1 HHS Notice of Benefit and Payment Parameters and the final rule establishing 2026 cost-sharing limits; IRS Revenue Procedure 2025-32 (2026 health FSA limits); IRS 2026 HSA/HDHP limits; preventive-services regulations.

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SECTION 7

PCORI FEES AND REQUIRED DISCLOSURES

PCORI FEE

SELF-FUNDED PLANS · FORM 720

Reported and paid each year on IRS Form 720. For plan years ending in 2025, due by **July 31, 2026**. For fully insured plans, the carrier reports and pays.

SUMMARY OF BENEFITS & COVERAGE

FEDERALLY PRESCRIBED FORMAT

Provide an updated SBC for 2026 open enrollment. For an automatically renewing plan, generally no later than 30 days before the new plan year begins.

NOTICE OF EXCHANGE

NEW HIRES

Each new hire must receive a written notice describing the Marketplace. Model notices are available from the Department of Labor.

NOTICE OF PATIENT PROTECTIONS

PCP-DESIGNATION PLANS

A plan requiring designation of a participating primary care provider must furnish this notice with any SPD or similar benefits description.

SECTION 8

COMMON COMPLIANCE FAILURES

Most penalty assessments arise from administrative error, not a decision not to comply. The recurring sources of liability are consistent year to year.[1]

1. **Affordability miscalculation**, particularly applying the wrong year's percentage or the wrong safe harbor.
2. **Inaccurate identification of full-time employees**, especially where hours vary.
3. **Late offers** to newly eligible employees, outside the required timeframe.
4. **1094-C and 1095-C errors**, including coding errors on the 1095-C.
5. **Inconsistent measurement** and stability periods.
6. **Incomplete documentation** of offers of coverage.

The defense against each is the same: accurate hour tracking, consistent application of the chosen method, timely offers, and contemporaneous documentation that can be produced if the IRS inquires.

Sourced to IRS and federal authority. A reference, not advice.

SOURCES

1 IRS employer shared responsibility provisions and reporting instructions (IRC §§4980H, 6056); PCORI fee guidance and IRS Form 720; DOL model Marketplace notice.

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SECTION 9

VARIABLE-HOUR AND HIGH-TURNOVER WORKFORCES

Employers in home care, staffing, hospitality, retail, and restaurants face the same rules under harder conditions. The central challenge is determining which variable-hour employees are full-time for the offer requirement. The IRS permits two methods.[1]

MONTHLY MEASUREMENT

MONTH BY MONTH

Determines full-time status each calendar month. Direct, but status can shift as hours fluctuate.

LOOK-BACK MEASUREMENT

MEASURE, THEN STABILIZE

Measure hours over a defined period, then fix status over a following stability period regardless of fluctuation. Generally more workable for variable-hour staff.

An employer must apply its chosen method consistently within permitted employee categories. Multi-state operations, seasonal employees, and high turnover each compound the tracking burden. The practical requirement is an accurate, auditable hour-tracking system and documented offers for every full-time employee.

SECTION 10

HOW A FIXED-INDEMNITY BENEFIT FITS ALONGSIDE ACA COVERAGE

A fixed-indemnity benefit is not a substitute for ACA-compliant coverage, and the distinction matters. A supplemental fixed-indemnity benefit funded through a Section 125 cafeteria plan does not satisfy the employer mandate, is not minimum essential coverage, and does not provide minimum value. An ALE's obligation to offer affordable, minimum-value coverage is unaffected by the presence of a supplemental benefit.[2]

THE SEQUENCE, FOR A 2026 STRATEGY

First, satisfy the employer mandate with compliant major medical coverage, using the affordability and minimum-value rules in this guide. A supplemental fixed-indemnity benefit is a layer that can be added to a compliant foundation, particularly for variable-hour or lower-wage employees. It is a complement to ACA compliance, **never a replacement for it**, and any materials describing it should state that distinction plainly.

SOURCES

1 IRS employer shared responsibility provisions on monthly and look-back measurement methods (IRC §4980H regulations). **2** IRC §§125 and 105(b); IRS minimum essential coverage and minimum value guidance.

Sourced to IRS and federal authority. A reference, not advice.

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REFERENCE

KEY 2026 ACA FIGURES

Every value at its current 2026 figure. Amounts adjusted annually by the IRS are stated for the 2026 plan year.

ITEM	2026
ELIGIBILITY & COVERAGE TESTS	
ALE threshold *IRC §4980H*	**50 FTEs**
Full-time employee *Hours of service*	**30 hrs/wk · 130/mo**
Coverage offer requirement *FT employees + dependents*	**At least 95%**
Minimum value *Share of total allowed costs*	**At least 60%**
AFFORDABILITY	
Affordability percentage *Rev. Proc. 2025-25*	**9.96%**
FPL safe harbor, max monthly contribution *Calendar-year plan · approx.*	**$129.90**
PENALTIES	
Section 4980H(a) *Per FT employee, less first 30 · Rev. Proc. 2025-26*	**$3,340**
Section 4980H(b) *Per affected employee · Rev. Proc. 2025-26*	**$5,010**
PLAN DESIGN LIMITS	
OOP maximum, essential health benefits *Self-only / family · HHS NBPP 2026*	**$10,600 / $21,200**
OOP maximum, HSA-qualifying HDHP *Self-only / family*	**$8,500 / $17,000**
Health FSA contribution limit *Rev. Proc. 2025-32*	**$3,400**
Health FSA carryover limit *Rev. Proc. 2025-32*	**$680**
Excepted-benefit HRA maximum *2026 plan years*	**$2,200**
DEADLINES	
Electronic ACA filing (2025 returns) *Forms 1094-C / 1095-C*	**Mar 31, 2026**
Paper filing & individual-statement notice *Fewer than 10 returns*	**Mar 2, 2026**
PCORI fee (plan years ending 2025) *IRS Form 720*	**Jul 31, 2026**

Sourced to IRS and federal authority. A reference, not advice.

REFERENCE

THE 2026 COMPLIANCE CHECKLIST

A working sequence for the 2026 plan year. Each item maps to a section of this guide.

✓	ACTION	SECTION
☐	**Determine ALE status** based on 2025 employment.	§1
☐	**Identify full-time employees** using a consistent measurement method.	§1, §9
☐	**Confirm the offer of MEC** to at least 95% of FT employees and dependents.	§2
☐	**Confirm minimum value** of the plan.	§2
☐	**Verify affordability** against 9.96% using an appropriate safe harbor.	§3
☐	**Audit payroll deductions** against the affordability calculation.	§3
☐	**Review dependent eligibility.**	§2
☐	**Confirm out-of-pocket maximums** against the 2026 cost-sharing limits.	§6
☐	**Update the Summary of Benefits and Coverage** for 2026.	§7
☐	**Post the individual-statement availability notice** by March 2, 2026.	§5
☐	**File electronic 1094-C and 1095-C returns** by March 31, 2026.	§5
☐	**Document every offer of coverage** and retain records for IRS inquiry defense.	§8

THE THROUGH-LINE

Accurate hour tracking, consistent measurement, timely offers, and contemporaneous documentation are the difference between a defensible position and an assessed penalty.

BACK MATTER

SOURCES AND AUTHORITY

This guide is drawn from the following primary federal authorities, current for the 2026 plan year.

STATUTE AND REGULATION

- **IRC §4980H** (employer shared responsibility) and the implementing regulations.
- **IRC §§6055 and 6056** (information reporting) and the implementing regulations.
- **IRC §§125 and 105(b)** (cafeteria-plan funding; reimbursement exclusion), as referenced in Section 10.

IRS REVENUE PROCEDURES & AGENCY RULES (2026 FIGURES)

- **Rev. Proc. 2025-25** — 2026 affordability percentage (9.96%).
- **Rev. Proc. 2025-26** — 2026 Section 4980H penalty amounts.
- **Rev. Proc. 2025-32** — 2026 health flexible spending account limits.
- **HHS Notice of Benefit and Payment Parameters** and the final rule establishing 2026 cost-sharing limits.
- **IRS 2026 HSA / HDHP limits** and excepted-benefit HRA guidance.

FORMS & PUBLISHED GUIDANCE

- **IRS Forms 1094-C, 1095-C, 720, and 8809** and their instructions.
- **IRS Letter 226-J and Form 14764** (shared responsibility payment process).
- IRS minimum value and affordability guidance; DOL model Marketplace notice.

DISCLAIMER

This guide is a reference current as of the 2026 plan year. Figures adjusted annually by the IRS are stated at their 2026 values. The ACA is administered by the IRS, the Department of Labor, and the Department of Health and Human Services, and its application depends on an employer's specific facts. Employers should obtain advice from qualified benefits counsel and a tax advisor on their own circumstances.