

BENEFITS GENIUS

MEC Compliance Guide

2026 Minimum Essential Coverage Requirements for Employers

Are You an ALE?

50+ full-time equivalent employees = Applicable Large Employer (ALE) = must comply with MEC

If you have 50+ FTEs, you must offer Minimum Essential Coverage to 95% of full-time employees or face significant penalties.

Key 2026 Numbers

ALE Threshold	50+ full-time equivalent employees
Offer Requirement	95% of full-time employees must be offered coverage
Affordability Threshold	9.02% of household income (Form W-2 safe harbor)
Penalty A (No Offer)	\$2,900 per employee per year
Penalty B (Unaffordable)	\$4,350 per employee per year

What Qualifies as MEC

Employer group plans • Marketplace plans (ACA) • Medicare • Medicaid • CHIP (State Children's Health Insurance Program) • TRICARE

What Does NOT Qualify

Supplemental plans • Dental-only plans • Vision-only plans • Fixed indemnity plans • Critical illness insurance

Compliance Checklist

1. **Count your full-time equivalents** — Include employees working 30+ hours per week
2. **Verify your plan qualifies as MEC** — Review your policy documents
3. **Check minimum value** — Your plan must have 60% actuarial value (AV)
4. **Apply an affordability safe harbor** — Use one of three safe harbor methods
5. **Track variable-hour employees** — Maintain detailed records for employees with fluctuating hours
6. **File Forms 1094-C and 1095-C by deadline** — Electronic: March 31; Employee copies: March 2
7. **Document everything** — Keep all supporting documentation for 3+ years

Three Affordability Safe Harbors

W-2 Safe Harbor	Rate of Pay Safe Harbor	FPL Safe Harbor
Employee contribution cannot exceed 9.02% of W-2 wages	Employee contribution cannot exceed 9.02% of lowest hourly rate × 130 hours/month	Employee contribution cannot exceed 9.02% of federal poverty line for family of 4

Key Deadlines for 2026

Forms Due (Electronic)	March 31, 2026
Employee Copies Due	March 2, 2026
Paper Filing Deadline	May 31, 2026

What to Do If You Get Letter 226-J

Letter 226-J is an IRS notice requesting employer health coverage information. **Do not ignore it.** Respond by the deadline provided with complete information about your coverage offer status. If you discover compliance issues, consider working with a benefits advisor or tax professional to determine next steps and potential liability relief options.