



2026 federal poverty levels can impact ESR affordability

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The Department of Health and Human Services (HHS) updated [guidelines](#), effective Jan. 13, 2026, that set the 2026 federal poverty level (FPL) at \$15,960 (up from \$15,650 in 2025) for a person working in the **mainland US**, but \$19,950 (up from \$19,550 in 2025) for a person working in **Alaska** and \$18,360 (up from \$17,990 in 2025) for a person working in **Hawaii**. Under the Affordable Care Act (ACA), the FPL can affect employer shared-responsibility (ESR) play-or-pay assessments in two ways:

- **Premium tax credits.** Individuals with household incomes between 100% and 400% of the FPL are potentially eligible to receive premium tax credits for health coverage purchased through a public exchange. ACA full-time employees' receipt of subsidized exchange coverage can trigger play-or-pay assessments. (Note that premium tax credit eligibility was expanded to include individuals earning more than 400% of the FPL for tax years 2021 and 2022 under the American Rescue Plan Act of 2021. This expansion was further extended for tax years 2023 through 2025 by the Inflation Reduction Act of 2022. However, as of the date of publication of this writing, Congress has not extended these enhanced ACA marketplace subsidies beyond 2025.)
- **Affordability testing.** Employers can use the FPL under one play-or-pay affordability 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 the FPL in effect within six months before the start of the plan year. For ESR affordability testing, employers use the FPL for the state in which the employee is employed. As announced in July 2025, the ACA benchmark percentage for determining the affordability of employer-

sponsored health coverage increased significantly — to 9.96% of an employee's household income for the 2026 plan year — up from the 2025 plan-year level of 9.02%.

2026 play-or-pay FPL affordability safe harbors. The updated FPL figures will apply for 2027 calendar-year plans and noncalendar-year plans beginning in 2026. Employers with calendar-year plans can't rely on those higher FPLs for 2026 affordability testing. Instead, 2026 calendar-year plan sponsors must use the 2025 FPL [amounts](#). As a result, the 2026 FPL affordability safe-harbor monthly employee contribution limits for the lowest-cost, self-only MEC with minimum value are as follows:

- **Noncalendar-year plans beginning in 2026** (see discussion below for a special rule):
 - **Mainland US:** \$132.47, calculated as $(9.96\% \times \$15,960 \text{ FPL for 2026}) \div 12$, rounded to the nearest penny
 - **Alaska:** \$165.59 calculated as $(9.96\% \times \$19,950 \text{ FPL for 2026}) \div 12$, rounded to the nearest penny
 - **Hawaii:** \$152.39 calculated as $(9.96\% \times \$18,360 \text{ FPL for 2026}) \div 12$, rounded to the nearest penny
- **2026 calendar-year plans:**
 - **Mainland US:** \$129.90, calculated as $(9.96\% \times \$15,650 \text{ FPL for 2025}) \div 12$, rounded to the nearest penny
 - **Alaska:** \$162.27, calculated as $(9.96\% \times \$19,550 \text{ FPL for 2025}) \div 12$, rounded to the nearest penny
 - **Hawaii:** \$149.32, calculated as $(9.96\% \times \$17,990 \text{ FPL for 2025}) \div 12$, rounded to the nearest penny

Special rule for noncalendar-year plans. Noncalendar-year plans may use the FPL in effect within six months before the first day of the plan year. For the 2026 plan year, noncalendar-year plans benefit from using the higher 2026 FPL amounts.

The adjusted affordability percentage applies on a plan-year — not a calendar-year — basis. This means noncalendar-year plans beginning in 2025 will continue to use 9.02% to determine affordability in 2026 until their new plan year starts.

As a reminder, for **noncalendar-year plans beginning in 2025**, the FPL affordability safe-harbor monthly employee contribution limits for the lowest-cost, self-only MEC with minimum value are as follows:

- **Mainland US:** \$117.64, calculated as $(9.02\% \times \$15,650 \text{ FPL in 2025}) \div 12$, rounded to the nearest penny
- **Alaska:** \$146.95, calculated as $(9.02\% \times \$19,550 \text{ FPL in 2025}) \div 12$, rounded to the nearest penny
- **Hawaii:** \$135.22, calculated as $(9.02\% \times \$17,990 \text{ FPL in 2025}) \div 12$, rounded to the nearest penny

Related resources

Non-Mercer resources

- [HHS poverty guidelines for 2026](#) (Federal Register, Jan. 15, 2026)
- [Rev. Proc. 2022-25](#) (IRS, July 17, 2025)
- [HHS poverty guidelines for 2025](#) (Federal Register, Jan. 17, 2025)
- [Public L. No. 117-169](#), Inflation Reduction Act of 2022 (Congress, Aug. 16, 2022)
- [Public L. No. 117-2](#), American Rescue Plan Act of 2021 (Congress, March 11, 2021)
- [Employer shared-responsibility provisions](#) (IRS, regularly updated)
- [Q&As on employer shared-responsibility provisions under the Affordable Care Act — Affordability](#) (IRS, regularly updated)
- [Q&As on premium tax credit](#) (IRS, regularly updated)

Mercer Law & Policy resources

- [2026 quick benefit facts](#) (Jan. 21, 2026)
- [2026 affordability percentage for employer health coverage increases](#) (July 22, 2025)

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