

MEC Compliance Guide

2026 Minimum Essential Coverage Requirements for Employers

FOR HR & BENEFITS LEADERS

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

	2026
ALE Threshold	50+ full-time equivalent employees
Offer Requirement	95% of full-time employees must be offered coverage
Affordability Threshold	9.96% of household income (Form W-2 safe harbor)
Penalty A (No Offer)	\$3,340 per employee per year
Penalty B (Unaffordable)	\$5,010 per employee per year

Sources: IRS Rev. Proc. 2025-25 for the 9.96% affordability percentage; IRS adjusted \$4980H amounts for 2026.

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) and provide substantial coverage of inpatient hospitalization and physician services.
- 4. Apply an affordability safe harbor.** Use one of three safe harbor methods (W-2, Rate of Pay, or FPL).

5. **Track variable-hour employees.** Maintain detailed records for employees with fluctuating hours.
6. **File Forms 1094-C and 1095-C electronically by March 31, 2026.** Furnish 1095-C copies to employees by March 2, 2026. The IRS lowered the e-file threshold to 10+ returns, so paper filing is no longer an option for almost any ALE.
7. **Document everything.** Keep all supporting documentation for at least 4 years (the §4980H assessment statute of limitations).

Three Affordability Safe Harbors

SAFE HARBOR	2026 TEST
W-2	Employee contribution cannot exceed 9.96% of W-2 wages
Rate of Pay	Employee contribution cannot exceed 9.96% of (lowest hourly rate × 130 hours/month)
Federal Poverty Line	Employee contribution cannot exceed 9.96% of the FPL for a family of 4

Key 2026 Deadlines

DEADLINE	DATE
Furnish 1095-C copies to employees	March 2, 2026
File 1094-C / 1095-C electronically with IRS	March 31, 2026

IF YOU RECEIVE LETTER 226-J

Letter 226-J is the IRS notice proposing a §4980H Employer Shared Responsibility Payment. **Do not ignore it.** Respond by the deadline in the letter (typically 30 days) with complete documentation of your offer and affordability calculations. If you discover compliance issues, work with a benefits advisor or tax counsel immediately to determine relief options.

Next Steps

1. **Confirm your ALE status.** If you are at or near 50 FTEs, run the calculation now.
2. **Pull your most recent 1094-C / 1095-C filings** and verify offer + affordability tests against the 2026 numbers above.
3. **If anything is unclear, talk to David.** A 15-minute conversation usually surfaces the gap before it becomes a 226-J letter.



Questions on your MEC compliance?

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