



As widely reported over the past few days, in 2014 UPS will stop offering health coverage to spouses of non-union employees if those spouses have employer-sponsored health care available through their own employer. By UPS's own figures, this move will affect just under half of non-union employees' spouses currently covered through UPS's health plan. What the news reports frequently miss is that this isn't a new or radical approach. For a while now, a good number of employers have been either excluding from coverage spouses who have access to their own employer-sponsored health coverage, or imposing a significant surcharge to employees who choose to cover their "double eligible" spouses. So UPS isn't breaking any new ground here.

What's a bit disingenuous is UPS stating that the Health Care Reform "affordability" requirement underlies this decision. The "affordability" requirement only applies to the employee's own coverage; there's no requirement under Health Care Reform for any large employer, including UPS, to subsidize coverage for an employee's spouse or children. So, while UPS is limited as to how much it can charge an employee for the employee's own health coverage if UPS wants to avoid penalties, UPS could charge an employee 100% of the incremental cost of spousal coverage and still avoid the employer shared responsibility penalties.

Arguably, by eliminating coverage for spouses with access to employer-sponsored health care, UPS is doing those spouses a favor if the coverage available from the spouse's employer is not "affordable." If the spouse doesn't have access to "affordable" coverage through his or her employer, and doesn't have access to coverage through UPS, the spouse could get an individual policy and potentially qualify for a tax credit or subsidy (depending on the employee's and spouse's combined household income). It's the spouses who will still be eligible for coverage under UPS's health plan (because they don't have access to any employer-sponsored health care) who might be on the losing end of this arrangement. As long as the UPS coverage is "affordable" with respect to the cost of the employee-only coverage, the spouse will not be eligible for a tax credit or subsidy, no matter what UPS charges for the spouse's coverage.



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I've been on the accountant's side, the employer's side, and the attorney's side of employee benefits over a span of more than 30 years. So I understand, and can help you identify and evaluate, the financial, human resources, administrative, and business aspects of the employee benefit plan decisions you face.

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