

EMPLOYEE BENEFITS COMPLIANCE UPDATE

A Parker, Smith & Feek Benefit Alert

SEPTEMBER 2023

2024 Affordability Percentage

In Revenue Procedure 2023-29, the IRS has again significantly decreased the affordability percentage from 9.12% in 2023 to 8.39% for 2024. This is the first time the affordability percentage has ever been below 9%. This percentage determines which applicable large employers may face penalties under §4980H(b) for failure to offer affordable coverage as well as which individuals may qualify for subsidized coverage through a public Exchange.

Revenue Procedure 2023-29: www.irs.gov/pub/irs-drop/rp-23-29.pdf

BACKGROUND

Under §4980H, applicable large employers (50 or more full-time equivalents (FTEs)) must offer coverage to full-time employees that is affordable to avoid potential §4980H(b) penalties. In addition, individuals enrolling for coverage through a public Exchange will not qualify for subsidized coverage (premium tax credits) if they are eligible for employer-sponsored group health plan coverage that is affordable.

Coverage is considered “affordable” if the required employee contribution does not exceed a set percentage (8.39% in 2024) of household income.

- For employees, coverage is affordable if the required employee contribution for the lowest cost minimum value plan for employee-only (single) coverage is affordable.
- For spouses and dependents, coverage is affordable if the required employee contribution for the lowest cost minimum value plan for family coverage is affordable.

Coverage is also considered “affordable” under §4980H(b) requirements if the employee contribution satisfies at least one of three available safe harbors (i.e., federal poverty level (FPL), rate of pay, or Form W-2).

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REQUIRED CONTRIBUTION PERCENTAGE

Originally, for 2014, the required contribution percentage for determining affordability was set at 9.5%. The percentage is adjusted annually. See applicable percentages for each year in the table below.

AFFORDABILITY PERCENTAGE									
2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
9.56%	9.66%	9.69%	9.56%	9.86%	9.78%	9.83%	9.61%	9.12%	8.39%

APPLICATION

Effective for plan years beginning on or after January 1, 2024, the percentage to be used in affordability calculations is 8.39%. For calendar year plans, 8.39% applies beginning in January 2024, but for a non-calendar year plan that renews in September, 8.39% applies beginning in September 2024.

The decrease in the affordability percentage (from 9.12% in 2023 to 8.39% in 2024) may require applicable large employers (ALEs) to lower employee contributions for employee-only (single) coverage for the 2024 plan year to meet the affordability requirements under §4980H(b). Note that employers are not required to offer affordable coverage to spouses and dependents; however, this lower affordability percentage might allow more spouses and dependents to qualify for subsidized individual health coverage through a public Exchange when the cost for the family to participate in the employer's plan is deemed unaffordable.

For more details about affordability requirements and use of an affordability safe harbor, see our issue brief on affordability considerations found at benefitcomply.com/resources/2023/08/23/affordability-considerations.

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