

ACA Affordability Percentage Drops to a New Low for 2024

Just when we thought affordability percentages couldn't possibly go lower than the 2023 rate of 9.12%, the Internal Revenue Service released [Revenue Procedure 2023-29](#) declaring the Affordable Care Act (ACA) benchmark for determining the affordability of employer-sponsored health coverage will significantly decrease to 8.39% of an employee's household income for the 2024 plan year. This almost $\frac{3}{4}$ percentage point is a significant decrease for several reasons.

Under the ACA, employer-sponsored minimum essential coverage (MEC) is affordable if an employee's required contribution for the lowest-cost, self-only option with minimum value does not exceed an annually indexed percentage of the employee's household income. Employees and their family members eligible for minimum value, employer-sponsored MEC that meets the affordability standard cannot receive premium tax credits or cost-sharing reductions for public exchange coverage.

For Applicable Large Employers (ALEs), this decrease will mean they must contribute a larger share of their employees' premiums to meet the affordability requirement. The significance of yet another decrease in the percentage cannot be overlooked.

Employers should start planning very soon as to what their 2024 benefits package will look like and how the percentage decrease and corresponding increase in contribution will affect their overall 2024 strategy. The potential quandary for some of these employers exists because they may have had ideas of adding additional benefits to their package, they may have been considering wage increases for some employees, and others may have opted to decrease their contributions. To provide the best possible benefits at an affordable cost, employers may now have to revisit their prior intentions.

Setting new health plan premium contributions for the 2024 plan year will take some thoughtful consideration from employers who hope to maintain a complete benefits package without creating a financial burden.

An ALE wants to comply with the new affordability requirements to avoid the significant monetary penalties attached to non-compliance. And just as a helpful reminder, non-calendar year plans will continue to use 9.12% to determine affordability in 2024 until their new plan year starts.