

COMPLIANCE ALERT

ACA Employer Mandate Affordability Percentage Decreases Again for 2024

September 8, 2023

Action Required:

- Review planned 2024 medical coverage offers.
- Determine if they meet the ACA's minimum standards and affordability requirements.
- Assess and calculate any potential penalties that may be imposed.

The IRS recently announced that the new affordability percentage for 2024 will be 8.39%. This significant decrease (even lower than the 9.12% affordability percentage used for 2023) has reduced this percentage to an historic low.

The new affordability percentage could potentially result in more employers and plan sponsors receiving penalty assessments from the IRS if they fail to properly adjust their employee premium contribution requirements for 2024.

How will the new Affordability Percentage impact Employers and Plan Sponsors?

Given that the new dramatically reduced affordability percentage is the lowest percentage since these rules went into effect, employers will likely have to substantially lower their required employee contributions for 2024 to meet the adjusted affordability percentage (likely more so than they initially planned).

What Should Employers and Plan Sponsors Do Next?

As open enrollment season is just around the corner (for most plans), employers and plan sponsors should begin the process of reviewing their planned 2024 offers of medical coverage, determine if they meet the ACA's minimum standards and affordability requirements, and assess and calculate any potential penalties that may be imposed. ■

ACA Employer Mandate Affordability Percentage Decreases Again for 2024

The IRS recently announced in [Revenue Procedure 2023-29](#) that the new affordability percentage for 2024 will be 8.39%. This significant decrease (even lower than the 9.12% affordability percentage used for 2023) has reduced this percentage to an historic low.

The new affordability percentage could potentially result in more employers and plan sponsors receiving penalty assessments from the IRS if they fail to properly adjust their employee premium contribution requirements for 2024.

How will the new Affordability Percentage impact Employers and Plan Sponsors?

Given that the new dramatically reduced affordability percentage is the lowest percentage since these rules went into effect, employers will likely have to substantially lower their required employee contributions for 2024 to meet the adjusted affordability percentage (likely more so than they initially planned).

As background, this affordability percentage is used for determining if the coverage an employer offers is affordable under one of three Employer Mandate affordability safe harbors. Specifically, for 2024, an employer's offer of medical coverage will be deemed to be affordable for purposes of the Employer Mandate penalty rules only if the required employee contribution for the lowest cost "self-only" or "employee-only" tier option offered by the employer does not exceed 8.39% of the applicable safe harbor amount. The three safe harbors that measure affordability are based on an employee's Form W-2 wages, an employee's rate of pay or the federal poverty line for a single individual.

What are the Employer Mandate Penalty Amounts for 2024?

The ACA Employer Shared Responsibility ("Employer Mandate") penalty amounts for 2024 for failing to offer coverage (the "large penalty"), and for failing to offer coverage that meets the ACA's minimum standards and affordability requirements (the "small penalty"), were previously released in [Revenue Procedure 2023-17](#) and are as follows:

- For the "large penalty" for failing to offer Minimum Essential Coverage to at least 95% of the ACA-defined "full-time employees" and their dependent children (under Code § 4980H(a)), the penalty is \$2,970 (up from \$2,880 in 2023); and
- For the "small penalty" for failing to offer coverage that meets the ACA's minimum standards of minimum value and affordability (under Code § 4980H (b)), the penalty is \$4,460 (up from \$4,320 in 2023).

The large penalty, if applicable, is multiplied by every full-time employee in the organization (minus the first 30 employees) if a single employee qualifies for and receives a premium tax credit on an ACA Exchange. The small penalty, if applicable, is applied on a per-employee basis for each full-time employee that qualifies for and receives a premium tax credit on an ACA Exchange.

When does the new Affordability Percentage go into Effect?

The new affordability percentage for 2024 will go into effect for plan years beginning in the 2024 calendar year (that is, plan years beginning on or after January 1, 2024).

What Should Employers and Plan Sponsors Do Next?

As open enrollment season is just around the corner (for most plans), employers and plan sponsors should begin the process of reviewing their planned 2024 offers of medical coverage, determine if they meet the ACA's minimum standards and affordability

requirements, and assess and calculate any potential penalties that may be imposed. If your organization needs assistance with understanding the ACA's Employer Mandate rules, or with calculating whether your offer of medical coverage will be affordable, please contact your Corporate Synergies Account Manager. ■

**If you have any additional questions,
please call your Corporate Synergies
Account Manager or 866.CSG.1719.**