

August 8, 2022

# ACA AFFORDABILITY PERCENTAGE DECREASED SIGNIFICANTLY FOR 2023

One of the most well-known components of the Affordable Care Act (ACA) is that it requires applicable large employers (ALEs) to either offer affordable, minimum value medical benefits to their full-time employees or pay tax penalties. The ACA defined a plan as being affordable if the lowest-cost, employee-only option costs less than 9.5% of the employee's household income. However, the percentage of income for this purpose is adjusted annually for inflation. Recent [guidance from the Internal Revenue Service \(IRS\)](#) decreases the affordability percentage significantly from 9.61% for 2022 to **9.12%** for 2023.

Thus, for plan years beginning in 2023, employer-sponsored coverage will be considered affordable if the employee's required contribution for self-only coverage under the lowest-cost available plan does not exceed 9.12% of the full-time employee's income.

The 2023 affordability percentage is the lowest that the IRS has released since the ACA's inception. Most notably, it even falls below the statutory 9.5% affordability threshold upon which the annual inflation adjustments are based. This significant affordability percentage decrease for 2023 means that many employers will need to increase the amount that they contribute towards employee coverage to continue to meet the affordability standard. To avoid penalty exposure, ALEs should carefully analyze affordability in advance of open enrollment for their 2023 plan year.

***Kelly Benefits is not a law firm and cannot dispense legal advice. Anything contained in this communication is not and should not be construed as legal advice. If you need legal advice, please contact your legal counsel.***

