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Client Alert Applies To: Self-Funded, Fully-Funded, and Large Group

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IRS Announces Indexing Adjustments for 2024 ACA Affordability Calculations

The IRS has announced 2024 indexing adjustments for important percentages under the Affordable Care Act (ACA). For 2024, the required contribution percentage used to determine whether employer-sponsored health coverage is “affordable” for purposes of the employer shared responsibility penalty under the ACA will decrease from 9.12% (2023) to 8.39%. This is by far the lowest affordability threshold since the ACA employer mandate went into effect in 2015.

As employers will recall, the ACA penalty final regulations set forth three affordability safe harbors employers could use in setting plan rates: federal poverty limit (FPL), rate of pay, and W-2 wages. The decrease to 8.39% means that to keep an employer group health plan “affordable” for purposes of the ACA, the maximum employee contribution amount for self-only coverage in 2024 will be \$101.93 under the FPL safe harbor, a slight decrease from 2023 (despite the significant increase in the 2024 federal poverty limit percentage). Employers who use other safe harbor methods to calculate affordability are also likely to see a decrease in the maximum employee contribution allowed.

Please visit www.moreton.com/news-events/ for more information and to view other client alerts. This Client Alert was written by Carolyn Cox, who provides our clients with compliance services. For additional questions, please contact Carolyn at 801-715-7110 or ccox@moreton.com.

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