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GROUP HEALTH PLAN ADVISORY

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2023 Affordability Percentage

In The Revenue Procedure 2022-34, the IRS significantly decreased the affordability percentage from 9.61% to 9.12% for 2023. 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.

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 if they are eligible for employer-sponsored group health plan coverage that is affordable.

Coverage is generally considered “affordable” if the employee contribution for employee-only (single) coverage does not exceed a set percentage (9.12% in 2023) of household income.

Note: Unless final rules are released yet this year indicating otherwise, coverage is considered affordable for dependents as well, regardless of the contribution amount, so long as the employee-only (single) coverage is affordable.

Coverage is 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).

The table below shows the 2023 maximum monthly contribution for employee-only coverage in an employer’s medical plan under the federal poverty level safe harbor.

Calendar Year	Affordability Percentage	Maximum Monthly Contribution
2023	9.12%	\$103.28
2022	9.61%	\$103.15
2021	9.83%	\$104.52
2020	9.78%	\$101.79

Application

Effective for plan years beginning on or after January 1, 2023, the percentage to be used in affordability calculations is 9.12%. For calendar year plans, 9.12% applies beginning in January 2023, but for a non-calendar year plan that renews in September for example, 9.12% applies beginning in September 2023.

The decrease in the affordability percentage from 9.61% in 2022 to 9.12% in 2023 may require employers to adjust employee contributions for the 2023 plan year to meet the affordability requirements under §4980H(b).

Please contact your Oswald client team representative for further information.

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