



A UNISON RISK ADVISORS Company

GROUP HEALTH PLAN ADVISORY

2024 “Affordability” Percentage

The Internal Revenue Service (IRS) has **decreased** the affordability percentage from 9.12% to 8.39% for 2024. 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 Marketplace 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 Marketplace 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 (8.39% in 2024) of household income.

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
2024	8.39%	\$101.93
2023	9.12%	\$103.28
2022	9.61%	\$103.15
2021	9.83%	\$104.52

Application

Effective for plan years beginning on or after January 1, 2024, the percentage to be used in affordability calculations is 8.39%. For calendar year plans, 8.39% applies beginning in January 2024, but for a non-calendar year plan that renews in September for example, 8.39% applies beginning in September 2024.

The **decrease** in the affordability percentage from 9.12% in 2023 to 8.39% in 2024 may require employers to adjust employee contributions for the 2024 plan year to meet the affordability requirements under §4980H(b). Note that employers are not required to offer affordable coverage to spouses and dependents; however, this lower affordability percentage may result in more spouses and dependents to qualify for subsidized individual health coverage through a public Exchange when the cost for the family to participate in the employer’s plan is deemed unaffordable. ([Click here for Affordability Considerations](#))

Please contact your Oswald client team representative for further information.

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