

## REGULATORY UPDATE

08.23.22

### ACA Affordability Threshold Decreases for 2023

Employers who are Applicable Large Employers (ALEs) under the Affordable Care Act (ACA) should take note of an important announcement that was made by the IRS on August 1, 2022. In [Notice 2022-34](#), the IRS announced the new affordability benchmark for plans renewing on or after January 1, 2023.

Previous changes have been incremental and have generally trended upward, which allows employers to collect a larger employee contribution from employees while meeting the contribution requirements under the ACA's employer shared responsibility rules. However, for 2023 the threshold for employee contributions has decreased significantly, which will have an impact on some employers.

For plan years beginning in 2023, the IRS has announced that coverage will be considered affordable if the employee's required contribution for the lowest cost self-only health plan offered is **9.12%** or less of his or her household income for the taxable year. This is a decrease of roughly 5% from the current threshold of 9.61% and is the first time the affordability benchmark has fallen below the initial rate of 9.5%. As a result, ALEs will be required to make a larger contribution to the cost of

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employee-only coverage for their lowest cost plan to ensure affordability.

## Employer Next Steps

- Please contact the [Benefit Support Team](#) if you have any questions about the ACA affordability requirement and its impact on your plan.

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