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Large ACA Affordability Decrease for 2024

To avoid an employer shared responsibility payment, the Patient Protection and Affordable Care Act (“ACA”) requires applicable large employers to, among other things, offer full-time employees and their dependents affordable health plan coverage that provides minimum value. Applicable large employers are generally those with 50 or more full-time (including equivalent) employees during the prior calendar year.

For coverage to be *affordable*, an employee’s required contribution for the lowest cost, self-only coverage option that provides minimum value must be less than a certain percentage of the employee’s household income. **For 2024, that percentage decreases to 8.39% (from 9.12% in 2023).** This is the largest decrease since the ACA was enacted and may require employers to lower their employees’ share of premiums.

The IRS offers three optional safe harbor methods for determining whether the offered coverage is “affordable” because most employers do not know their employees’ household incomes: the Form W-2, Rate of Pay and Federal Poverty Line safe harbors. The 2024 percentage (8.39%) will be used when applying the safe harbors.

If you have questions about the ACA affordability safe harbors, ACA reporting, or responding to proposed employer shared responsibility payments (assessable payments), or need assistance updating your group health plan to stay compliant, please reach out to a member of the Kutak Rock [Employee Benefits and Executive Compensation practice group](#).

