

# IRS Updates the Health Plan Affordability Percentage for 2022

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## Quick Facts

- Under the Affordable Care Act (ACA), employers must provide coverage that is affordable based on an employee's household income or risk facing penalties.
- The affordability amount employees are required to pay for coverage is updated by the Internal Revenue Service (IRS) annually.
- In 2022, the percentage of household income that is required for a plan to be affordable will be 9.61%, which is a decrease from 2021.

## Overview

In [IRS Revenue Procedure 2021-36](#), the IRS **decreased** the affordability percentage from 9.83% to 9.61% for 2022. This percentage determines which applicable large employers may face penalties under ACA §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 greater 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 (9.61% in 2022) of household income.

NOTE: Coverage is considered affordable for dependents as well, regardless of the contribution amount, as long as the employee-only (single) coverage is affordable.

Coverage is also considered affordable for purposes of satisfying §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).

## Required Contribution Percentage

Originally, for 2014, the required contribution percentage for determining affordability was set at 9.5%. The percentage is adjusted annually. See applicable percentages for each year in the table below.

Health Plan Affordability Percentages								
Year	2015	2016	2017	2018	2019	2020	2021	2022
Percentage	9.56%	9.66%	9.69%	9.56%	9.86%	9.78%	9.83%	9.61%

## Application

Effective for plan years beginning on or after January 1, 2022, the percentage to be used in affordability calculations is 9.61%. This is true whether the affordability is determined based on household income or by using one of the three affordability safe harbors.

The **decrease** in the affordability percentage (from 9.83% in 2021 to 9.61% in 2022) may require employers to lower employee contributions for the 2022 plan year to meet the affordability requirements under §4980H(b).

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