

Benefits BULLETIN



IRS Adjusts ACA Affordability Percentage for 2022

● September 2021 ●

Last week, the IRS released [Rev. Proc. 2021-36](#), which announced the 2022 indexing adjustments for two important percentages under the Affordable Care Act (ACA).

- **Affordability Percentage Decreased to 9.61%.** Under the employer shared responsibility provisions (ESRP) of the ACA, an applicable large employer (ALE) that sponsors a group health plan must offer “minimum essential coverage” (MEC) to at least 95% of its full-time employees (and their dependents), and such coverage must meet affordability and minimum value requirements under the Code. If at least one full-time employee qualifies for a subsidy and buys health insurance in the Health Insurance Marketplace, the employer may face one of two potential penalties under Code §4980H(a) or Code §4980H(b), commonly referred to as the “A” and “B” penalties.

Employer-sponsored coverage is considered “affordable” if the portion that the employee is required to pay for the lowest cost, self-only MEC does not exceed a certain percentage of the employee’s household income. For 2022, this percentage has decreased from **9.83% in 2021 to 9.61% in 2022**. Because employers generally do not know the employee’s household income, the IRS has provided three safe harbors for ALEs to determine whether an offer of coverage is affordable: **Federal Poverty Line (FPL), rate of pay, and Form W-2**.

- **Premium Tax Credit Eligibility.** Individuals eligible for the premium tax credit must contribute a certain percentage of their household income to the cost of Exchange coverage. For 2022, the adjusted percentage is the same as for 2021, and **ranges from zero to 8.5%** (the percentage increases as the taxpayer’s household income increases, determined by household income bands).

Action Items for Employers

ALEs should take steps to develop their contribution strategy for 2022, including determining the affordability safe harbor that works best for their plan. The lower 2022 affordability percentage means that employers will be able to charge employees a slightly decreased price for their health coverage. For example, employers with a calendar year plan who use the Federal Poverty Line (FPL) safe harbor can decrease the affordable employee contribution amount from \$104.52 (2021) to \$103.15 (2022).

ADDITIONAL RESOURCES

[Affordability Safe Harbors for ALEs](#)
[August 2021](#)