ACA COMPLIANCE

GROUP HEALTH PLAN AFFORDABILITY LEVEL RISES FOR 2027

THE IRS has increased the group health plan affordability threshold, which determines whether an employer's lowest-premium health plan complies with Affordable Care Act rules, for plan years beginning in 2027.

The threshold has been set at 10.22% of an employee's household income, up from 9.96% in 2026. The higher threshold will give employers more leeway in determining employees' share of health insurance premiums. It also marks the first time the threshold has exceeded 10%.

Under the ACA, "applicable large employers" — those with 50 or more full-time or full-time-equivalent employees — must offer their workers at least one health plan that is considered affordable based on a percentage of the lowest-paid employee's household income. Employers may face penalties for noncompliance.

For 2027, coverage is considered affordable if the lowest-paid employee's required contribution for self-only coverage under the employer's lowest-cost plan providing minimum value does not exceed 10.22% of their household income.

The affordability test applies only to the employee's cost for self-only coverage, not to the premium for family coverage. If an employer offers multiple health plans, the test is based on the lowest-cost option that provides minimum value.

Calculating plan affordability

Employers can rely on one or more safe harbors when determining if coverage is affordable:

- The employee's most recent W-2 wages.
- The employee's rate of pay, which is the hourly wage rate multiplied by 130 hours per month.
- The federal poverty level.

Penalties

Failure to provide affordable coverage may result in a penalty of $5,670 per affected full-time employee in 2027, up from $5,010 in 2026. The penalty may apply when an employee is offered unaffordable coverage and receives a premium tax credit for Marketplace coverage.

A separate Employer Shared Responsibility Payment may apply if an employer fails to offer minimum essential coverage to at least 95% of its full-time employees and their dependents and at least one full-time employee receives a premium tax credit for Marketplace coverage.

The separate penalty will rise to $3,780 per employee in 2027 from $3,340 in 2026. It is generally calculated using the employer's total number of full-time employees minus 30.

Both penalties are indexed to inflation and calculated monthly.

Continued from page 1

Employers May Eliminate Underutilized Programs

greater visibility into drug pricing and rebates. They are also tightening utilization controls on costly drugs, including GLP-1s, and encouraging lower-cost biosimilars when clinically appropriate.

Demanding more from vendors. Employers are scrutinizing wellness, digital health and other benefit programs for measurable results. In 2027, 58% of Business Group on Health respondents plan to replace underperforming vendors and eliminate underutilized programs. Others are increasing the portion of vendor fees tied to outcomes.

Improving employee navigation. Providing employees with cost and quality information before they schedule care may help them find higher-quality, lower-cost providers. Employers may also consider reducing cost-sharing for high-value preventive and chronic-condition care.

Digging into claims data. Claims audits, utilization reviews and predictive analytics can help identify billing problems, high-cost conditions and opportunities for earlier intervention.