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INFOSHEET

Understanding ACA Affordability Safe Harbor Options for 2023

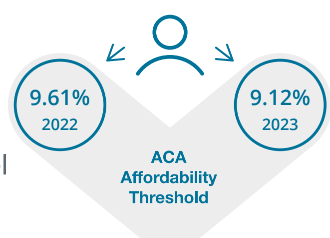
As mandated by the Affordable Care Act (ACA), eligible employers must offer healthcare that meets minimum essential coverage (MEC) requirements to 95% of their full-time employees and their dependents.

The law also indicates your employees' required contribution for self-only coverage must be no more than 9.12% of their household income (this percentage is adjusted for each calendar year).

However, since employers do not often know their employees' household incomes, the ACA has created safe harbors that can be used in lieu of household income to determine affordability.

These safe harbors (explained below) include:

- Federal poverty level
- Rate of pay
- Form W-2

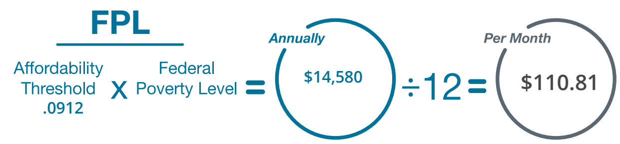


Federal poverty level (FPL) safe harbor

Coverage is affordable if: Premiums are not more than 9.12% of the FPL rate for the current plan year.

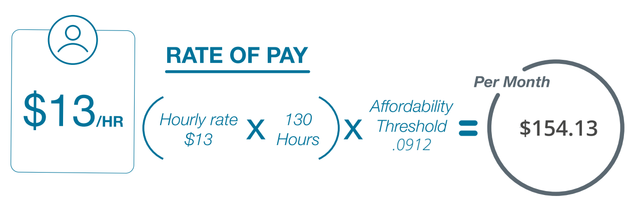
Remember: Because the FPL is established each year by the federal government, the FPL safe harbor method does not require any additional data about employees and their earnings.

- Calendar plan year and employers electing to use the 2022 FPL in 2023, can charge up to $103.28 per month before July 18, 2023.
- Employers adopting the 2023 federal poverty level, required for all plans starting on or after July 18, 2023, can charge up to $110.81 per month.



Rate of pay safe harbor

The rate of pay safe harbor uses an employee's hourly rate of pay or monthly salary to establish affordability. For groups of employees who benefit from regular overtime pay, rate of pay safe harbor may not be the most beneficial option for the employer. For salaried employees, premiums may be considered affordable if not more than 9.12% of their monthly salary (based on their rate of pay at coverage period start), provided they have had no reductions in pay since the beginning of their coverage period. For hourly employees, premiums may be no more than 9.12% of the monthly rate of pay (calculated using the lower of hourly rate of pay for the month or the hourly rate of pay at the beginning of the coverage period multiplied by 130 hours).



Remember: In this example, for an offer of coverage to be considered affordable under the rate of pay safe harbor, the employee must be offered at least one MEC plan that costs ≤$154.13 for employer-sponsored self-only coverage each month, regardless of whether or not the employee works 130 hours each month.

Form W-2, Box 1 wages safe harbor

Coverage is affordable if: Premiums are not more than 9.12% of an employee's wage (Box 1 on their W-2 form). The Box 1 figure is also the income reduced by all pre-tax deductions (for example, 401(k), HSA and benefit contributions).

W-2

Box 1 Wage $50,000 x Affordability Threshold .0912 = Annually $4,560 ÷ 12 = Per Month $380.00

Remember: Coverage must be affordable for all the months the employee is eligible. Because of this, the Form W-2 wages safe harbor is often used by employers whose full-time employees regularly work 30 hours per week or are salaried and retain consistency in hours worked and annual income.

To learn more about how Equifax ACA HQ™ can help you solve your safe harbor and affordability questions, contact us today.

To help find answers to any other look-back measurement questions or to see how Equifax ACA HQ™ tracks all service hours worked and provides detailed reporting on essential data, contact us today.

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