BENAFICA × CBIZ PARTNER PLAYBOOK

Affordability & Contribution Modeling

ICHRA Resource Library

Who this applies to: Affordability rules apply to Applicable Large Employers (ALEs) — generally employers with 50 or more full-time equivalent employees. Smaller employers are not subject to these requirements.

1 What "Affordability" Means

For ALEs, benefits must meet a basic standard: the employee's cost for a baseline Silver plan, after the employer contribution, must be less than 9.96% of their income (2026 threshold).

Important context:

- The Silver plan is only a benchmark — employees are not required to enroll in it
- It is used strictly to determine whether the benefit meets the affordability standard
- The calculation is run at the individual level — contribution strategy must account for variation across age, income, and location

2 How the Calculation Works

Three inputs drive the affordability test:

- Employee income sets the affordability threshold
- Lowest-cost Silver plan based on the employee's age and location
- Employer contribution reduces the employee's net cost

3 Why This Matters in Modeling

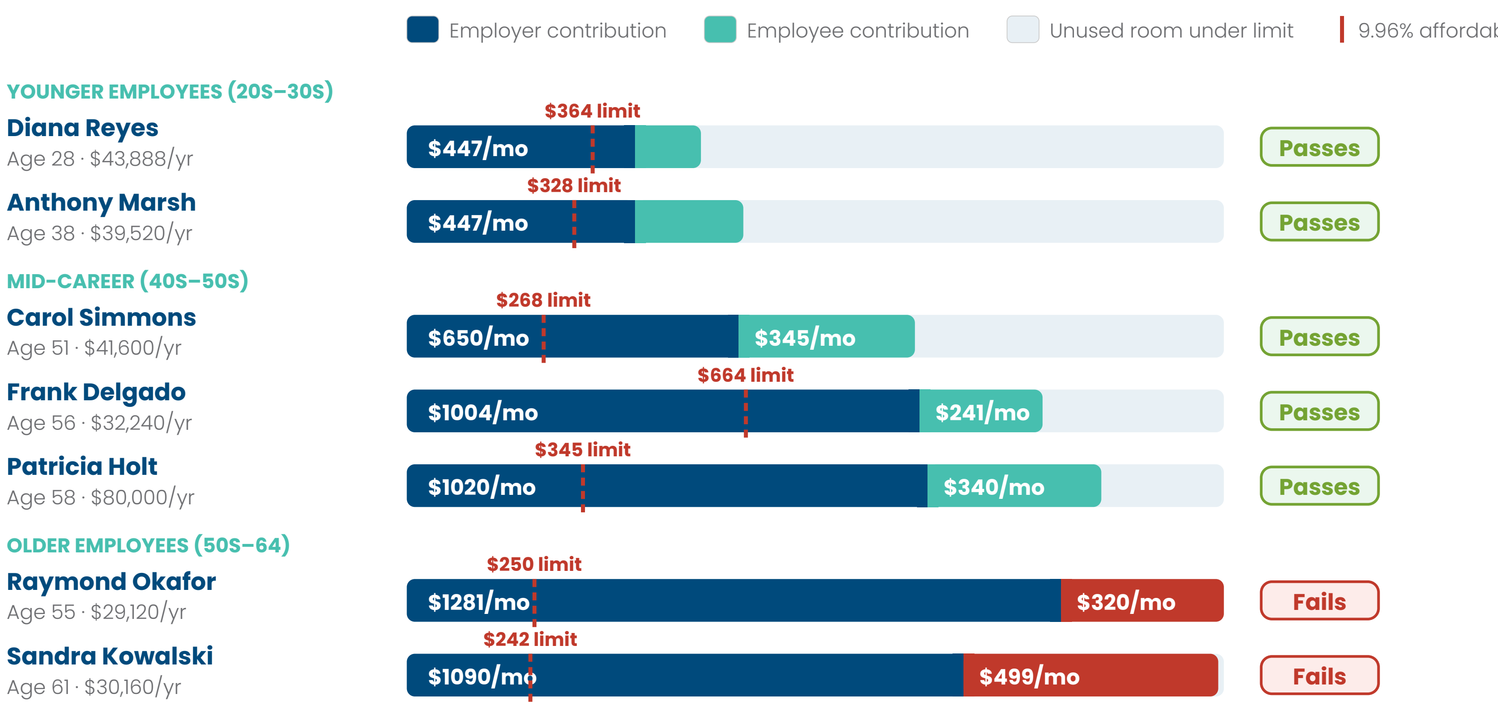
Affordability drives how much employers need to contribute — especially across different employee populations. The same contribution level can pass for one employee and fail for another.

Where pressure shows up:

- Older employees: higher premiums mean higher employer contributions required
- Lower-wage employees: tighter income thresholds mean less room for employee cost
- Higher-cost markets: higher starting premium creates more exposure

4 Affordability Across an Employee Population

This example shows how the same employer contribution plays out differently by age group and income level. Employees in red fail the affordability test — the employer contribution is not sufficient given their premium and income.



Key insight: Raymond and Sandra both fail because this market is expensive for older employees — and their lower incomes create a tighter affordability threshold, leaving less room for employee cost. The employer needs to increase the contribution amount until each employee's net cost falls below their individual threshold.