

Benefits Insights

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National Insurance Services

Developing a 2027 Contribution Strategy in a Record High Affordability Environment



As applicable large employers (generally, those with 50 or more full-time equivalent employees) prepare for 2027 renewals, they may have more flexibility in their health plan contribution strategy than they've had in several years. For 2027, the Affordable Care Act (ACA) affordability percentage will increase to 10.22%, providing employers with additional room to adjust employee premium contributions while remaining compliant.

However, additional flexibility does not necessarily mean that increasing employee contributions will be the right approach for every organization. The larger challenge is finding an appropriate balance between managing rising healthcare costs and maintaining a benefits package that supports attraction, retention and employee well-being.

This article explores how the higher affordability threshold may influence contribution decisions and the factors employers may consider when evaluating their approach for 2027.

Flexibility Within the Affordability Limits

The 10.22% affordability threshold is sometimes viewed as a target, but it is better understood as a compliance boundary. It establishes the maximum amount employees can be required to contribute toward the lowest-cost self-only coverage option before coverage may be considered unaffordable under ACA rules.

The increase provides employers with additional flexibility during renewal planning. Organizations facing continued medical and pharmacy cost pressures may have more room to adjust how premium costs are shared between employers and employees.

However, compliance does not necessarily equate to affordability from an employee perspective. Employees are already contributing a meaningful share of healthcare costs, and the impact of higher contributions may vary across the workforce based on income and financial circumstances. Even when coverage remains ACA-compliant, higher employee costs can influence enrollment satisfaction and perceptions of the overall benefits package.

The higher affordability threshold creates additional flexibility, but it does not dictate how employers use it. Instead, organizations can evaluate several contribution strategies based on their unique goals and workforce needs.

Evaluating Contribution Strategies

Employers have several options when determining how health plan costs will be shared between the organization and employees. Each approach offers a different balance of cost management, employee affordability and administrative considerations.

- **Percentage-based contributions**—Many employers structure contributions as a percentage of premium costs. In some cases, contribution percentages align with carrier contribution requirements, while others are based on organizational objectives and budgeting considerations. This approach establishes a defined cost-sharing arrangement between the employer and employee. A key advantage is simplicity. From an administrative perspective, percentage-based contributions can be relatively straightforward to maintain and communicate from year to year.
- **Flat-dollar contributions**—Under a flat-dollar approach, the employer contributes a defined dollar amount toward coverage rather than a percentage of premium costs. A key advantage is knowing exactly how much the employer contributes to each covered employee, which can help support budgeting and financial planning. Contribution amounts can then be reviewed and adjusted as needed over time.
- **Tiered contributions**—Some organizations use varying contribution levels based on salary bands, employee classifications or other workforce factors. This approach can help tailor employer contributions to different employee populations while balancing affordability and overall plan costs. Tiered strategies are often used by employers with complex or geographically diverse workforces, although they may require additional administrative and communication effort.
- **Plan design changes**—Some employers may evaluate strategic plan design changes as an alternative to increasing employee contributions. For example, adding a health plan that qualifies for a health savings account, implementing a health reimbursement arrangement or offering a narrower network option may create additional opportunities to manage plan costs while maintaining access to coverage. Although these changes often require additional communication and enrollment planning, they can offer another way to support affordability and cost-management objectives.

Making Contribution Decisions for 2027

The increase in the ACA affordability percentage may prompt employers to revisit how health plan costs are shared between their organizations and employees. With several contribution strategies available, employers can evaluate which approach best aligns with financial goals, workforce needs and the overall value of their benefits program.

For additional guidance on contribution strategies, contact us today.