



a Benefit Advisors Network



## LEGAL ALERT

### IRS Releases 2020 HSA Contribution Limits and HDHP Deductible and Out-of-Pocket Limits

In [Rev. Proc. 2019-25](#), the IRS released the inflation adjusted amounts for 2020 relevant to HSAs and high deductible health plans (HDHPs). The table below summarizes those adjustments and other applicable limits.

	2020	2019	Change
<b>Annual HSA Contribution Limit</b> (employer and employee)	Self-only: \$3,550 Family: \$7,100	Self-only: \$3,500 Family: \$7,000	Self-only: +\$50 Family: +\$100
<b>HSA catch-up contributions</b> (age 55 or older)	\$1,000	\$1,000	No change
<b>Minimum Annual HDHP Deductible</b>	Self-only: \$1,400 Family: \$2,800	Self-only: \$1,350 Family: \$2,700	Self-only: +\$50 Family: +\$100
<b>Maximum Out-of-Pocket for HDHP</b> (deductibles, co-payment & other amounts except premiums)	Self-only: \$6,900 Family: \$13,800	Self-only: \$6,750 Family: \$13,500	Self-only: +\$150 Family: +\$300

### Out-of-Pocket Limits Applicable to Non-Grandfathered Plans

The ACA's out-of-pocket limits for in-network essential health benefits have also been [announced](#) and have increased for 2020.

	2020	2019	Change
<b>ACA Maximum Out-of-Pocket</b>	Self-only: \$8,150 Family: \$16,300	Self-only: \$7,900 Family: \$15,800	Self-only: +\$250 Family: +\$500

Note that all non-grandfathered group health plans must contain an embedded individual out-of-pocket limit within family coverage, if the family out-of-pocket limit is above \$8,150 (2020 plan years) or \$7,900 (2019 plan years). Exceptions to the ACA's out-of-pocket limit rule are available for certain small group plans eligible for transition relief (referred to as "Grandmothered" plans). A [one-year extension of transition relief](#) was recently announced extending the transition relief to policy years beginning on or before October 1, 2020, provided that all policies end by December 31, 2020.

### Next Steps for Employers

As employers prepare for **the 2020 plan year**, they should keep in mind the following rules and ensure that any plan materials and participant communications reflect the new limits:

- HDHPs cannot have an embedded family deductible that is lower than the minimum HDHP family deductible of \$2,800.
- The out-of-pocket maximum for family coverage for an HDHP cannot be higher than \$13,800.
- All non-grandfathered plans (whether HDHP or non-HDHP) must cap out-of-pocket spending at \$8,150 for any covered person. A family plan with an out-of-pocket maximum in excess of \$8,150 can satisfy this rule by embedding an individual out-of-pocket maximum in the plan that is no higher than \$8,150. This means that for the 2020 plan year, an HDHP subject to the ACA out-of-pocket limit rules may have a \$6,900 (self-only)/\$13,800 (family) out-of-pocket limit (and be HSA-compliant) so long as there is an embedded individual out-of-pocket limit in the family tier no greater than \$8,150 (so that it is also ACA-compliant).

\* \* \*



**About the Author.** This alert was prepared for Clark & Lavey Benefits Solutions, Inc. by Stacy Barrow. Mr. Barrow is a nationally recognized expert on the Affordable Care Act. His firm, Marathas Barrow Weatherhead Lent LLP, is a premier employee benefits, executive compensation and employment law firm. He can be reached at [sbarrow@marbarlaw.com](mailto:sbarrow@marbarlaw.com).

*This e-mail is a service to our clients and friends. It is designed only to give general information on the developments actually covered. It is not intended to be a comprehensive summary of recent developments in the law, treat exhaustively the subjects covered, provide legal advice, or render a legal opinion.*

*Benefit Advisors Network and its smart partners are not attorneys and are not responsible for any legal advice. To fully understand how this or any legal or compliance information affects your unique situation, you should check with a qualified attorney.*