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## LEGAL ALERT

### IRS Releases 2021 HSA Contribution Limits and HDHP Deductible and Out-of-Pocket Limits

In [Rev. Proc. 2020-32](#), 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.

	2021	2020	Change
<b>Annual HSA Contribution Limit</b> (employer and employee)	Self-only: \$3,600 Family: \$7,200	Self-only: \$3,550 Family: \$7,100	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: \$1,400 Family: \$2,800	No change
<b>Maximum Out-of-Pocket for HDHP</b> (deductibles, co-payment & other amounts except premiums)	Self-only: \$7,000 Family: \$14,000	Self-only: \$6,900 Family: \$13,800	Self-only: +\$100 Family: +\$200

### 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 2021.

	2021	2020	Change
<b>ACA Maximum Out-of-Pocket</b>	Self-only: \$8,550 Family: \$17,100	Self-only: \$8,150 Family: \$16,300	Self-only: +\$400 Family: +\$800

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 \$8,550 (2021 plan years) or \$8,150 (2020 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 announced on January 31, extending the transition relief to policy years beginning on or before October 1, 2021, provided that all policies end by December 31, 2022. (This transition relief has been extended each year since the initial announcement on November 14, 2013.)

## Next Steps for Employers

As employers prepare for **the 2021 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 \$14,000.
- All non-grandfathered plans (whether HDHP or non-HDHP) must cap out-of-pocket spending at \$8,550 for any covered person. A family plan with an out-of-pocket maximum in excess of \$8,550 can satisfy this rule by embedding an individual out-of-pocket maximum in the plan that is no higher than \$8,550. This means that for the 2021 plan year, an HDHP subject to the ACA out-of-pocket limit rules may have a \$7,000 (self-only)/\$14,000 (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 \$8,550 (so that it is also ACA-compliant).



**About the Authors.** This alert was prepared for Clark & Lavey Benefits Solutions] by Marathas Barrow Weatherhead Lent LLP, a national law firm with recognized experts on the Affordable Care Act. Contact Stacy Barrow or Nicole Quinn-Gato at [sbarrow@marbarlaw.com](mailto:sbarrow@marbarlaw.com) or [nquinn-gato@marbarlaw.com](mailto:nquinn-gato@marbarlaw.com)

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