

May 29, 2019

## 2020 HSA and HDHP Limits Announced

On May 28, 2019, the Internal Revenue Service (IRS) announced in Revenue Procedure 2019-25 the 2020 limits for contributions to Health Savings Accounts (HSAs) and definitional limits for High Deductible Health Plans (HDHPs). These inflation adjustments are provided for under Internal Revenue Code Section 223.

For the 2020 calendar year, a HDHP is a health plan with an annual deductible that is not less than \$1,400 for self-only coverage and \$2,800 for family coverage. 2020 annual out-of-pocket expenses (deductibles, copayments and other amounts, excluding premiums) cannot exceed \$6,900 for self-only coverage and \$13,800 for family coverage.

For individuals with self-only coverage under a HDHP, the 2020 annual contribution limit to an HSA is \$3,550 and for an individual with family coverage, the HSA contribution limit is \$7,100.

No change was announced to the HSA catch-up contribution limit. If an individual is age 55 or older by the end of the calendar year, he or she can contribute an additional \$1,000 to his or her HSA. If married and both spouses are age 55, each individual can contribute an additional \$1,000 into his or her individual account.

For married couples that have family coverage where both spouses are over age 55 each spouse can take advantage of the \$1,000 catch-up, but in order to get the full \$9,100 contribution they will need to use two accounts. The contribution cannot be maximized with only one account. One individual would contribute the

family coverage maximum plus his or her individual catch-up, and the other would contribute the catch-up maximum to his or her individual account.

### Action Items

1. The first thing brokers need to do is notify their clients of these changes. Beyond that simple notification, the change in limits provides an opportunity for brokers to discuss plan design with plan sponsors. Given the increasing costs of health insurance, employers may find adding a HDHP option (with these new limits) to their welfare plan financially favorable. In addition, with employees becoming more knowledgeable about HSAs, employers may find that an HDHP/HSA option is something their workforce desires.

2. Plan sponsors should ensure that all participant communication for the 2020 plan year reflects the new limits. In addition, they may want to consider plan design due to the change in the limits.

3. Payroll and HSA vendors must make sure their systems are updated for 2020 to allow for the increased contributions per the larger limits.

Questions? Contact your Findley consultant or John Lucas, JD, CPA, CPC at [John.Lucas@findley.com](mailto:John.Lucas@findley.com), or 615.665.5329.

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### HSA and HDHP Limitations

	2019 Individual	2019 Family	2020 Individual	2020 Family
HSA Contribution Limits (Employer & Employee)	\$3,500	\$7,000	\$3,550	\$7,100
HDHP Deductible Limits	\$1,350	\$2,700	\$1,400	\$2,800
HDHP Out-of-Pocket Limits	\$6,750	\$13,500	\$6,900	\$13,800