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## 2021 Inflation-adjusted Limits for HDHPs

By Bruce Davis

The IRS recently issued several advisories about 2021 inflation-adjusted limits for High Deductible Health Plans (HDHPs) paired with Health Savings Accounts (HSAs); non-grandfathered health plans; and ACA employer shared responsibility penalties under [IRC §4980H](#). The purpose of this post is to summarize these various 2021 limits. We will also comment on Health FSAs.

### HDHPs/HSAs

Although the minimum deductibles of \$1,400 for Self-only coverage and \$2,800 for Family coverage will not change from 2020, the limits for annual contributions and in-network out-of-pocket expenses will be increased as follows:

|  | Calendar Year 2020 |          | Calendar Year 2021 |          |
|--|--------------------|----------|--------------------|----------|
|  | Self-only          | Family   | Self-only          | Family   |
| <b>Annual Contribution Limit</b>                                       | \$3,550            | \$7,100  | \$3,600            | \$7,200  |
| <b>HDHP Out-of-Pocket Limit (includes deductibles and coinsurance)</b> | \$6,900            | \$13,800 | \$7,000            | \$14,000 |

### Non-Grandfathered Health Plans

As you know, the ACA requires “traditional” non-grandfathered plans (other than those HDHPs paired with HSAs) to limit annual out-of-pocket expenses for in-

network essential health benefits. The following compares the 2020 and 2021 limits:

|   | Calendar Year 2020 |          | Calendar Year 2021 |          |
|---|--------------------|----------|--------------------|----------|
|   | Self-only          | Family   | Self-only          | Family   |
| <b>Out-of-Pocket Limit (includes deductibles and coinsurance)</b> | \$8,150            | \$16,300 | \$8,550            | \$17,100 |

Notes: a) If an employer offers both traditional and HDHP/HSA plans (that are not grandfathered), the plans are subject to both sets of requirements, and the employer must comply with the lowest applicable out-of-pocket maximum.

b) The ACA requires that a per person, embedded out-of-pocket maximum doesn't exceed the ACA self-only limit, even if the person is in the family tier.

### ACA Employer Shared Responsibility Penalties

If an Applicable Large Employer fails to provide essential health benefits to at least 95% of full-time employees, the penalty under IRC §4980H(A) will increase from \$2,570/FTE to \$2,700. This is in accordance with the premium adjustment percentage rules set out in this IRC provision.

If the Applicable Large Employer fails to provide essential health benefits that are deemed “unaffordable”, the penalty under IRC §4980H(B) will increase from \$3,860 to \$4,060 for each employee who purchases subsidized coverage on the ACA Market Place (i.e. the “exchange”).

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## Health Care FSA

The IRS has not yet announced a change from the 2020 maximum Health FSA salary deferral of \$2,750. However, the maximum carryover amount has been increased from \$500 to \$550 for the plan year beginning in 2021. Thereafter, the carryover amount will be equal to 20% of the maximum Health FSA salary reduction contribution under [IRC §125 \(i\)](#) for that plan year.

To learn more about how Inflation-adjusted Limits can affect HDHPs contact Bruce Davis at [bruce.davis@findley.com](mailto:bruce.davis@findley.com) or [419.327.4133](tel:419.327.4133).

