

IRS Announces HSA and HDHP Limitations for 2020

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On May 28, 2019, the IRS released Revenue Procedure 2019-25 setting dollar limitations for health savings accounts (HSAs) and high-deductible health plans (HDHPs) for 2020. HSAs are subject to annual aggregate contribution limits (i.e., employee and dependent contributions plus employer contributions). HSA participants age 55 or older can contribute additional catch-up contributions. Additionally, in order for an individual to contribute to an HSA, he or she must be enrolled in an HDHP meeting minimum deductible and maximum out-of-pocket thresholds. The contribution, deductible and out-of-pocket limitations for 2020 are shown in the table below (2019 limits are included for reference).

HSA/HDHP Limitations

	2019	2020
Maximum HSA Contribution	Self-Only: \$3,500	Self-Only: \$3,550
(Employee + Employer)	Family: \$7,000	Family: \$7,100
Catch-Up Contribution Limit	\$1,000	\$1,000
	Self-Only: \$1,350	Self-Only: \$1,400
Minimum HDHP Deductible	Family: \$2,700	Family: \$2,800
	Self-Only: \$6,750	Self-Only: \$6,900
HDHP Out-of-Pocket Max	Family: \$13,500	Family: \$13,800

Note that the Affordable Care Act (ACA) also applies an out-of-pocket maximum on expenditures for essential health benefits. However, employers should keep in mind that the HDHP and ACA out-of-pocket maximums differ in a couple of respects. First, ACA out-of-pocket maximums are higher than the maximums for HDHPs. As explained in our [May 9, 2014 blog entry](#), the ACA's out-of-pocket maximum was identical to the HDHP maximum initially, but the Department of Health and Human Services (which sets the ACA limits) is required to use a different methodology than the IRS (which sets the HSA/HDHP limits) to determine annual inflation increases. That methodology has resulted in a higher out-of-pocket maximum under the ACA. The ACA out-of-pocket limitations for 2020 were announced in the [2020 Notice of Benefit and Payment Parameters](#) and are shown in the table below (2019 limits are included for reference).

ACA Out-of-Pocket Limitations

	2019	2020
Self-Only	\$7,900	\$8,150
Family	\$15,800	\$16,300

Second, the ACA requires that the family out-of-pocket maximum include “embedded” self-only maximums on essential health benefits. For example, if an employee is enrolled in family coverage and one member of the family reaches the self-only out-of-pocket maximum on essential health benefits (\$8,150 in 2020), that family member cannot incur additional cost-sharing expenses on essential health benefits, even if the family has not collectively reached the family maximum (\$16,300 in 2020).

The HDHP rules do not have a similar rule, and therefore, one family member could incur expenses above the HDHP self-only out-of-pocket maximum (\$6,900 in 2020). As an example, suppose that one family member incurs expenses of \$10,000, \$8,150 of which relate to essential health benefits, and no other family member has incurred expenses. That family member has not reached the HDHP maximum (\$16,300 in 2020), which applies to all benefits, but has met the self-only embedded ACA maximum (\$8,150 in 2020), which applies only to essential health benefits. Therefore, the family member cannot incur additional out-of-pocket expenses related to essential health benefits, but can incur out-of-pocket expenses on non-essential health benefits up to the HDHP family maximum (factoring in expenses incurred by other family members).

Employers should consider these limitations when planning for the 2020 benefit plan year and should review plan communications to ensure that the appropriate limits are reflected.

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