ACA Maximum Cost Sharing Requirements

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Beginning in 2014, the Affordable Care Act placed limits on the maximum deductible and out of pocket maximums applicable to group health plans. Further clarification in the form of frequently asked questions, confirmed that deductible limits only apply in the small employer (generally, less than 100) fully-insured market. The same frequently asked questions also specified that the maximum out of pocket limits are applicable to all non-grandfathered fully-insured and self-funded group health plans.

Earlier this year, the Department of Health and Human Services released final regulations on the 2016 out of pocket limits. It is not the limit that got attention, but additional information provided in the preamble that insurers and employers need to understand. For 2016, the out of pocket limits have been increased to $6,850 for single coverage and $13,700 for family coverage for in-network services. The rule clarified in the preamble of the regulations that the out of pocket limits must be "embedded" if the family out-of-pocket maximum is greater than the single limit. This applies for each individual within a family for services that are considered essential health benefits. This means that in a family plan the single limit must apply to each individual within the family and that family limit will apply in aggregate to the remaining members. Following are some examples of how the limit will work.

Example 1: ABC Company has a group health plan with single out-of-pocket maximum of $5,000 and $10,000 per family. If family member A has medical expenses of $7,500, the out-of-pocket maximum must be capped at $6,850 and the plan will pay the remaining $650 ($7,500 - $6,850 = $650) for family member A. The remaining family members' expenses will be applied to the remaining family out-of-pocket maximum of $3,150 ($10,000 - $6,850 = $3,150).

Example 2: XYZ Company has a group health plan with a single out-of-pocket maximum of $3,000 and $6,000 per family. If family member A has expenses of $7,500, family member A will be responsible for $6,000 and the plan will pay the remaining $1,500 ($7,500 - $6,000 = $1,500). In this scenario, there is no need to apply an embedded out-of-pocket maximum because the family out-of-pocket maximum is below the ACA maximum out-of-pocket limit.

The new cost sharing limits and embedded rules apply for plan years on or after January 1, 2016. We do not yet know how the rules will be applied by insurers and third party administrators. Additional information will be provided once it is available.

Please keep in mind that the ACA maximum cost sharing limits and the IRS High Deductible Health Plan (HDHP) limits are set by different agencies according to different actuarial calculations. They are not the same. The HDHP out-of-pocket limits are $6,550 and $13,100 and are not required to be embedded. With this in mind, both limits must work in concert and HDHP family out-of-pocket limits must also be embedded at $6,850 to comply with both ACA and HDHP rules.