PPI BENEFIT SOLUTIONS

ANNUAL OUT-OF-POCKET MAXIMUM LIMITS

Group health plans of all sizes must comply with an out-of-pocket maximum limit on cost-sharing, which is updated annually.

The ACA requires health plans of all sizes to comply with an overall annual out-of-pocket (OOP) maximum limit on cost-sharing, effective for plan years beginning on or after January 1, 2014. The annual OOP maximum limit applies only to "essential health benefits" that are provided on an in-network basis. Essential health benefits are defined broadly to include items and services in 10 general categories:

- Ambulatory and emergency services
- Hospitalization
- Prescription drugs
- Maternity and newborn care
- Mental health and substance use disorder services
- Laboratory services
- Pediatric services
- Preventive services and devices
- Rehabilitative services and devices
- Wellness services and devices

The OOP maximum limit is adjusted annually by the Department of Health and Human Services (HHS) according to the premium adjustment percentage (a factor computed according to rules established by the ACA). The limit applies to plan years commencing in the applicable calendar year. See the **IRS Limits on Non-HDHP Out-of-Pocket (OOP) Expenses** chart in Appendix A for the OOP limits in recent years. For a more comprehensive chart of annual limits that affect group health plans, see the PPI publication **Employee Benefits Annual Limits**.

PLANS SUBJECT TO THE OUT-OF-POCKET MAXIMUM LIMIT

The ACA places annual OOP maximum limits on single and family in-network coverage for essential health benefits for non-grandfathered plans. (A group health plan will lose its grandfathered status if, after March 23, 2010, its plan design or cost-share contribution model is modified beyond certain regulatory parameters.) Once the OOP maximum limit is reached for the medical plan year, the participant is not responsible for additional in-network cost-sharing for the remainder of the year. This is meant to ensure that health plans pay for significant health expenses and limit the risk of medical debt or bankruptcy for insured individuals.

Employers should keep in mind that the ACA OOP maximums differ from the OOP maximums for qualified High Deductible Health Plans (HDHPs) as set by the IRS. While the ACA OOP maximums cap the amount individuals can pay per plan year for essential health benefits for non-grandfathered plans, the OOP maximums set by the IRS for qualified HDHPs impact plan designs for purposes of HSA eligibility. In addition, the ACA OOP maximums only apply to essential health benefits provided in-network, while the IRS HDHP limits generally include all covered in-network benefits payable under the terms of the plan.

The ACA OOP limits require that the maximum OOP for single coverage is "embedded" in the maximum OOP for family coverage. This means that no individual covered under a family contract is subject to in-network OOP expenses for essential health benefits

greater than the OOP maximum for single coverage, even if the family has not collectively reached the OOP maximum for family coverage. By contrast, HDHPs have the option of a non-embedded deductible for family coverage. In an HDHP with a non-embedded deductible (sometimes called an aggregate deductible), the entire family deductible must be met before the plan commences payment for eligible expenses (other than preventive care). See Appendix A for details on the OOP limits for HDHP and non-HDHP plans in recent years.

EXPENSES SUBJECT TO THE OUT-OF-POCKET MAXIMUM LIMIT

Expenses subject to the OOP maximum limit include cost-sharing such as deductibles, copayments, coinsurance, and similar charges. They do not include premium cost-share amounts. For plans that use networks, the OOP maximum limit applies only to in-network visits. Thus, a participant's cost-sharing for out-of-network benefits does not count toward the OOP maximum limit. Similarly, a participant's OOP costs for non-covered items or services (such as cosmetic services) do not count toward the OOP maximum limit, regardless of whether the services are rendered by in-network or out-of-network providers. Note that employers can (and often do) establish annual OOP limits for out-of-network services, but such limits are a matter of negotiations between the employer and the carrier and are not subject to OOP limits under the ACA.

SUMMARY

In summary, a group health plan's OOP maximum for the plan year cannot exceed the annual OOP maximum limitation. Further, while group health plans may divide the annual OOP maximum limit across multiple categories of benefits, the combined amount of any separate OOP limits cannot exceed the annual OOP maximum for that plan year

RESOURCES

DOL FAQs About Affordable Care Act Implementation Part XII

DOL FAQs About Affordable Care Act Implementation Part XVIII

Final Regulations

HHS Premium Adjustment Percentage

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APPENDIX A

IRS Limits on Health Savings Accounts (HSAs) and High Deductible Health Plans (HDHPs)

	2026	2025	2024
HSA maximum contribution*			
Single	$4,400	$4,300	$4,150
Family	$8,750	$8,550	$8,300
HSA catch-up contribution (age 55 and older)*	$1,000	$1,000	$1,000
Minimum HDHP deductible			
Single	$1,700	$1,650	$1,600
Family**	$3,400	$3,300	$3,200
HDHP out-of-pocket (OOP) maximum			
Single	$8,500	$8,300	$8,050
Family***	$17,000	$16,600	$16,100

See www.irs.gov for more information.

*For calendar year beginning in year indicated, regardless of plan year start date.

**An embedded individual deductible can be no less than the minimum family deductible.

***Must include an embedded individual (Single) OOP maximum not greater than the non-HDHP Single OOP maximum.

IRS Limits on Non-HDHP Out-of-Pocket (OOP) Expenses

	2026	2025	2024
Non-HDHP OOP maximum*			
Single	$10,600	$9,200	$9,450
Family**	$21,200	$18,400	$18,900

*Applies exclusively to in-network covered essential health benefits. This includes participant cost-sharing for medical expenses subject to the Consolidated Appropriations Act 2021 surprise medical billing in-network cost-sharing requirements, even when such expenses are incurred out-of-network.

**Must include an embedded individual (single) OOP maximum not greater than the non-HDHP single OOP maximum.

The charts above are excerpted from the PPI publication **Employee Benefits Annual Limits**. See that publication for other annual limits that affect group health plans.

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