Out-of-Pocket Maximums

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In final regulations published in February 2015, the Department of Health and Human Services (HHS) and Centers for Medicare and Medicaid Services (CMS) set forth 2016 various limits and coverage requirements for 2016. In regards to the out-of-pocket (OOP) maximum that applies to essential health benefits, the agencies not only set forth the 2016 limits, but also clarified in the preamble that the self-only OOP maximum applies to each individual, regardless of whether the individual is enrolled in single or family coverage. In addition, CMS recently provided an FAQ further clarifying its commitment to this new requirement that is effective for plan years beginning in 2016.

Background

Beginning in 2014 the Affordable Care Act (ACA) required that all non-grandfathered group health plans limit participant out-of-pocket (OOP) maximums. The OOP maximum includes deductibles, co-insurance, co-payments toward essential health benefits covered under the plan. The maximum OOP expense limits are adjusted annually for increases in the cost of living. For 2016, the maximum OOP expense limit cannot exceed $6,850 for self-only coverage and $13,700 for family coverage.

Embedded Individual Limit

For any group health plan offering coverage options beyond self-only (single) coverage, HHS states that plans offering family coverage (or anything other than self-only coverage) are required to have an embedded OOP limit for each individual covered under family coverage. The following example is provided in the preamble to illustrate their intent:

"…if an other than self-only plan has an annual limitation on cost sharing of $10,000 and one individual in the family plan incurs $20,000 in expenses from a hospital stay, that particular individual would only be responsible for paying the cost sharing related to the costs of the hospital stay covered as EHB up to the annual limit on cost sharing for self-only coverage (…$6,850 for 2016)"

Summary

Beginning with 2016 plan years, employers that apply only an aggregate OOP limit for family coverage in regards to essential health benefits will need to make adjustments to their plan design to include an embedded individual OOP limit for all covered individuals. HHS has also stated they intend to issue formal guidance regarding this requirement.