



# update

Compliance News for Plan Sponsors

June 21, 2017

## Higher Health Savings Account Contribution Limits and Increases in High-Deductible Health Plan Minimums and Maximums for 2018

The Internal Revenue Service (IRS) has released [Revenue Procedure 2017-37](#), which announces inflation-adjusted amounts for 2018 for the maximum annual contribution to Health Savings Accounts (HSAs) and the maximum out-of-pocket expense for High-Deductible Health Plans (HDHPs) for individual and family coverage. All of the amounts will increase for 2018.

### The 2018 Amounts

The 2018 numbers are shown in the table below with notes about how those numbers compare to the 2017 numbers. The IRS calculates the annual adjustments using the 12-month period ending March 31.

### Implications for Employers

Before next year, employers that offer HDHPs with HSAs will need to revise their plan design and documents to ensure compliance with 2018 amounts.

Employers considering an HSA need to look at both the HDHP design that they will offer and the amount that they will contribute to the accounts, if anything. However, implementing an HSA has become easier due to the maturity of the HSA market and deeper understanding of the regulations by the industry.



### Health Compliance News Highlights:

- HSA contribution limits will increase by less than 2.5 percent for 2018.
- HDHP deductibles will be just under 4 percent higher for 2018 than for 2017.
- The HDHP out-of-pocket limit will increase by just over 1.5 percent for individual coverage and just over 3 percent for family coverage.

### 2018 Minimums and Maximums for HSAs\* and HDHPs

|                                       | Individual Coverage                         | Family Coverage                               |
|---------------------------------------|---|---|
| Maximum Annual HSA Contribution**     | \$3,450<br>(up \$50 from \$3,400 for 2017)  | \$6,900<br>(up \$150 from \$6,750 for 2017)   |
| Minimum HDHP Deductible               | \$1,350<br>(up \$50 from \$1,300 for 2017)  | \$2,700<br>(up \$100 from \$2,600 for 2017)   |
| Maximum HDHP Out-of-Pocket Expense*** | \$6,650<br>(up \$100 from \$6,550 for 2017) | \$13,300<br>(up \$200 from \$13,100 for 2017) |

\* HSAs, established by the Medicare Modernization Act (MMA) as of January 1, 2004, allow individuals or employers to contribute to an HSA as long as the individual is covered under an HDHP.

\*\* Individuals age 55 or over can contribute an additional \$1,000 to their HSAs.

\*\*\* The out-of-pocket expense does *not* include premiums.

In its latest survey of HSA/HDHP plans, America's Health Insurance Plans reported that as of January 2016, enrollment in HSA/HDHP coverage had increased to 20.2 million, up from 19.7 million in 2015.<sup>1</sup> The Employee Benefits Research Institute (EBRI) has found that the number of employers expected to offer an HSA-qualified HDHP either as an option or as the only health plan choice is expected to continue to increase.<sup>2</sup> EBRI concluded that 47 percent of HSA owners in its database received an employer contribution. Employer contributions averaged \$948. One-quarter had an employer contribution of \$100–\$999; 14 percent received an employer contribution of \$1,000–\$1,999; and 4 percent had an employer contribution of \$2,000 or more.

### How Sibson Can Help

For plan sponsors with HDHPs, Sibson can help value the impact of plan design changes being considered based on these new limits. Plan sponsors interested in exploring an HSA should contact their Sibson consultant to determine whether that course of action is right for them. Employers should review both the benefits of an HDHP and the value of a HSA to their employees. If an HSA option is selected, a key consideration is how to communicate the HSA option, and whether or how much the employer should contribute to the account. Sibson can assist with both HDHP selection and HSA evaluation.

### Questions?

For more information about how these new rules may affect your plan, please contact your Sibson consultant or the [Sibson office nearest you](#).

<sup>1</sup> America's Health Insurance Plans' Center for Policy and Research [2016 Survey of Health Savings Account – High Deductible Health Plans](#) (February 16, 2017).

<sup>2</sup> Employee Benefit Research Institute [November 29, 2016 Issue Brief, "Health Savings Account Balances, Contributions, Distributions, and Other Vital Statistics, 2015: Estimates from the EBRI HSA Database."](#)

### Reminder: The Affordable Care Act Out-of-Pocket Maximum for Non-Grandfathered Plans Is Not the Same as the HSA/HDHP Maximum

The Affordable Care Act requires non-grandfathered group health plans to limit the amount that participants (and their families) have to pay out of pocket for in-network essential health benefits. For the plan year beginning in 2014, the first year the requirement took effect, the limits were the same as those set by the IRS for HSAs combined with HDHPs.

Since 2015, the out-of-pocket limits have not been tied to the HSA limits, but are calculated by the Department of Health and Human Services based on a percentage increase from the previous year. For 2018, the out-of-pocket maximum for non-grandfathered plans will be \$7,350 for an individual and \$14,700 for a family, up from the 2017 amounts of \$7,150 and \$14,300, respectively. (Those and other Affordable Care Act dollar amounts and percentages are summarized in a [table on Sibson's website](#).)

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