



WHAT EMPLOYERS NEED TO KNOW RIGHT NOW ABOUT HEALTH CARE REFORM

Cost Sharing Limits Changing for 2016

In the Benefit and Payment Parameters for 2016 [Final Rule](#) issued in February of 2015, federal agencies included a clarification that annual cost-sharing limitations for self-only coverage apply to all individuals, regardless of whether the individual is covered by a self-only plan or is covered by another kind of plan. Cost sharing refers to out-of-pocket expenses and deductibles that are paid by the beneficiary. In both self-only and other plans, an individual's cost sharing for essential health benefits (EHBs) may never exceed the self-only annual limitation. The information was only included in the preamble of the Final Rule, and was not included into the regulatory language. As a result, the benefits industry was left unsure of the implications.

On March 10, 2015, a "[Cost-Sharing FAQ](#)" was released, confirming that self-only limitations will apply to each individual regardless of whether the individual is enrolled in a self-only plan or a plan that is not self-only. It appears that this requirement will apply to both high-deductible health plans (HDHPs) and non-high-deductible plans, and is in response to consumer complaints about high deductibles and out-of-pocket limits. This means the limits are applicable to all health plans beginning in 2016. The FAQ includes an example of an HDHP with a \$10,000 family deductible, and states that the plan must apply the out-of-pocket limitation on cost sharing at the individual level, even if the amount is below the \$10,000 family deductible limit.

Going forward, the family's cost sharing to the deductible limit can continue to be offered under the HDHP policy, as long as the self-only annual out-of-pocket limitation is applied to each individual on the plan. The annual self-only out-of-pocket limit for 2016 will be \$6,850. In addition, an annual out-of-pocket limit will apply to HDHPs associated with health savings accounts (HSAs), but that limit has not yet been released.

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For practical purposes, the new limitation acts as an embedded limit, and will apply to all plans starting in the 2016 plan year. The cost-sharing limitation only applies to EHBs, however, employers might find it administratively difficult to parse out EHB costs and non-EHB costs.

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