

HHS Finalizes 2020 ACA Penalties and Limits

The Department of Health and Human Services has issued the 2020 Notice of Benefit and Payment Parameters final rule. The notice sets forth the Affordable Care Act (“ACA”) employer mandate penalties and the maximum out-of-pocket limits for 2020.

Employer Mandate

Based on the inflation adjustment factor in the final rule of 1.2895211380 (measured from the initial penalty amounts scheduled for 2014), we assume (using the inflation formula) the annual employer mandate penalties for 2020 for employers with 50 or more full-time employees (including full-time equivalent employees) in 2019 to be as follows:

Failure to offer Minimum Essential Coverage to 95% of full-time employees [“a” penalty]: **\$2,570** times the number of full-time employees in excess of 30; if one full-time employee receives subsidized healthcare coverage from the ACA Marketplace. This represents an increase of 2.8% from the 2019 penalty amount of **\$2,500**.

Coverage offered to 95% of full-time employees fails to provide Minimum Value and/or Affordable coverage [“b” penalty]: **\$3,860** for each full-time employee who receives subsidized healthcare coverage from an ACA Marketplace. This represents an increase of about 2.9% from the 2019 penalty amount of **\$3,750**.

Maximum Annual Out-Of-Pocket Limit

The maximum annual out-of-pocket limit (“MOOP”) for 2020 is set at **\$8,150** for self-only coverage and **\$16,300** for all other coverage. This represents an increase of about 3.16% from the 2019 limits of **\$7,900** and **\$15,800** for self-only and other coverage, respectively. The ACA MOOP limits the amount a plan member(s) will pay for in-network essential health benefits in a non-grandfathered group health plan.

The ACA requires the use of an “embedded” MOOP, whereby an individual enrolled in other than self-only coverage will have their out-of-pocket expenses capped at the self-only MOOP (\$8,150) rather than having to satisfy the family MOOP (\$16,300) before the plan pays 100% of covered expenses.

It should be noted that the maximum annual out-of-pocket limit for qualified high deductible health plans (HSAs) is different than the ACA MOOP. We expect the 2020 HSA parameters to be published in the near future.

ADDITIONAL INFORMATION

For specific questions concerning information contained in this Update, please contact your Chernoff Diamond consultant. Information contained in this Update is not intended to render tax or legal advice. Employers should consult with qualified legal and/or tax counsel for guidance with respect to matters of law, tax and related regulation. Chernoff Diamond provides comprehensive consulting and administrative services with respect to all forms of employee benefits, risk management, qualified and non-qualified retirement plans, private client services, and compensation and human capital. For additional information about our services, please contact us at 516.683.6100 or mail@chernoffdiamond.com.