

ANNUAL OUT-OF-POCKET MAXIMUM LIMITS

The Affordable Care Act (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. Previously, the ACA also included an annual deductible limit, but that ACA provision was repealed on April 1, 2014, by Public Law No. 113-93.

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

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

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 **Out-of-Pocket Limits (Non-HDHP)** 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 NFP 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 limit requires that the single limit is “embedded” in the family maximum. This means that no single individual within a family can experience OOP expenses greater than the single limit (even if the family has not collectively reached the family OOP limit). By contrast, HDHPs can have a non-embedded deductible, which means that eligible expenses (other than preventative care) are not paid until the entire family deductible is met. 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. To discuss your annual OOP maximum limits compliance obligations and other aspects of your employee benefits program, or for copies of NFP publications, contact your NFP benefits consultant. For further information regarding NFP’s full range of consulting services, see [NFP.com](https://www.nfp.com).

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)

	2024	2023	2022
HSA maximum contributions			
Single	\$4,150	\$3,850	\$3,650
Family	\$8,300	\$7,750	\$7,300
HSA catch-up contributions (age 55 and older)	\$1,000	\$1,000	\$1,000
Minimum high deductible health plan (HDHP) deductible			
Single	\$1,600	\$1,500	\$1,400
Family*	\$3,200	\$3,000	\$2,800
Out-of-pocket (OOP) maximum			
Single	\$8,050	\$7,500	\$7,050
Family**	\$16,100	\$15,000	\$14,100

See www.irs.gov for more information.

*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.

Out-of-Pocket Limits (Non-HDHP)

	2024	2023	2022
Out-of-pocket maximum			
Single	\$9,450	\$9,100	\$8,700
Family*	\$18,900	\$18,200	\$17,400

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

The charts above are excerpted from the NFP publication [Employee Benefits Annual Limits](#). See that publication for other annual limits that affect group health plans.