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## Family OOPs and Deductibles

The Departments of Health and Human Services (HHS), Labor (DOL) and Treasury have issued [FAQs](#) clarifying the treatment of out-of-pocket (OOP) cost-sharing limits for family coverage, required as part of the Affordable Care Act (ACA). Under the guidance, an “embedded” individual OOP is required for family coverage. In other words, the in-network individual OOP maximum will apply to each individual enrolled in family coverage. Therefore, the annual OOP maximum under ACA for self-only coverage applies regardless of whether the individual has self-only or family coverage. These rules will apply for plan years beginning on or after January 1, 2016. This clarification is significant and will affect many employer health plans.

*OOP Limits:* For plan years beginning on or after January 1, 2014 (or upon loss of grandfathered status, if later), the ACA applies an overall cost-sharing limit to all non-grandfathered group health plans, regardless of the plan’s size or funding (fully-insured or self-insured) arrangement. This overall OOP maximum cost-sharing limit on coinsurance, deductibles, copayments, and similar charges applies to all types of plans. For plan years beginning in 2015, the maximum annual limitation on cost sharing is \$6,600 for self-only coverage and \$13,200 for coverage other than self-only coverage (\$6,850 and \$13,700 for 2016).

- The FAQs have clarified that if the family deductible in 2016 exceeds the self-only \$6,850 OOP limit, then an embedded self-only deductible and OOP is required. This means that once a person covered under a family plan reaches his or her individual OOP maximum, all covered expenses for that individual must be paid at 100% plan coinsurance (no customer cost-share), even when the family OOP maximum may not have been satisfied. Once the family OOP maximum is reached, the plan must pay 100% of all covered expenses regardless of whether each person covered has reached the individual OOP maximum.
- The FAQs also confirm that these maximum OOP rules also apply to high deductible health plans (HDHPs) with Health Savings Accounts (HSAs). Such plans that are effective on or after January 1, 2016 must continue to have a “collective” family deductible, to which all covered family members’ qualified expenses apply, as well as the “non-collective” individual OOP maximums. The OOP maximums for HDHPs with HSAs are different than those that apply to other types of plans and are \$6,550 for self-only coverage and \$13,100 for family coverage for 2016.

*Example:* In 2016, a group health plan has an aggregate annual family limitation on in-network cost sharing of \$13,000 (note that a plan is permitted to set an annual limitation below the maximum). The self-only maximum annual limitation in \$6,000 applied to each covered family

member. Assume family of four (Mom, Dad, Son and Daughter) enrolls in family coverage. Mom incurs claims associated with \$10,000 in cost sharing, and Dad, Son and Daughter each incur claims associated with \$3,000 in cost sharing. For Mom, the plan is required to bear the difference between the \$10,000 in cost sharing and the maximum annual limitation for Mom (\$6,000), or \$4,000 paid by plan. With respect to cost sharing incurred by Dad, Son and Daughter, the aggregate \$15,000 (\$6,000 + \$3,000 + \$3,000 + \$3,000) in cost sharing that would otherwise be incurred by the four family members together is limited to \$13,000 (the annual aggregate limitation under the plan), and the plan must bear the difference between the \$15,000 and the \$13,000 annual limitation, or \$2,000.

Plan sponsors should review their OOP limits and deductibles for family coverage to determine if any plan design changes are required. The guidance offers relief for plans that have not applied the rule in this manner to date, stating that the clarification will apply to plan years beginning in 2016 or later. Thus, a plan will not be violating the rule in 2015 if an “embedded” individual OOP is not applied during the 2015 plan year. Should you have questions about this or any aspect of federal health insurance reform, contact your Conner Strong & Buckelew account representative toll free at 1-877-861-3220. For a complete list of Legislative Updates issued by Conner Strong & Buckelew, visit our online [Resource Center](#).



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