

New HSA, Health FSA, Transportation Plan and ACA Limits for 2021

Recently the IRS and HHS released new ACA, HSA, Health FSA and Transportation Plan limits for 2021. Below is an outline of the new limits:

Updated Affordable Care Act limits

Affordability Percentage Increase

In order for an employer to avoid 4980H Subsection (b) penalties, they must offer their full-time employees minimum value coverage that is affordable. Affordability is determined by how much an employee is required to pay for self-only coverage (no other coverage tier is taken into account).

Generally, employer sponsored health coverage is considered affordable if the employee's share of the cost of health coverage is not greater than the annual IRS threshold percentage amount of the employee's household income. Employers cannot reasonably know what an employee's household income is, so the IRS provided three safe harbors:

- Federal Poverty Line Safe Harbor;
- Box 1 of Form W-2 Safe Harbor; and
- The Rate of Pay Safe Harbor.

As long as an employer properly sets employee contribution based on the IRS safe harbors they are likely to avoid 4980H subsection b penalties. For more information on "Affordability" Safe Harbors, please contact us.

Last year, the IRS indicated that the percentage for determining affordability safe harbors is indexed for inflation. The IRS also clarified that employers could begin using the new percentages to calculate the affordability safe harbors beginning with the first day of the plan year in which the increased percentages apply. Below is a table of "Affordability" percentage increases by year since 2018:

2018	2019	2020	2021
9.56%	9.86%	9.78%	9.83%

Employee Overall Cost Sharing (Out-of-Pocket) Limits Increases*

Health Care Reform imposes overall employee cost share limits for essential benefits and for meeting the minimum value standard. Below is a table of Employee Cost Share limits by year since 2018:

Coverage Type	2018	2019	2020	2021
Single	\$7,350	\$7,900	\$8,150	\$8,550
Family	\$14,700	\$15,800	\$16,300	\$17,100

*Note: The out-of-pocket limits for essential benefits and minimum value are different than those for HSA compatible High Deductible Health Plans, so employers with HSA HDHP plans need to take care to be compliant with both limits.

Employee Shared Responsibility 4980H Penalty Increases

Potential 4980H penalties under ACA's Employer Shared Responsibility provisions are also indexed for inflation. There are two types of 4980H penalties:

1. The Subsection (a) penalty, often called the Sledgehammer Penalty, that applies to Applicable Large Employers (ALEs) who do not offer minimum essential coverage to 95% of more of their full-time employees and their dependent children; and
2. The Subsection (b) penalty, often called the Tack-hammer Penalty, which applies to ALEs who do not offer their full-time employees health coverage that is both affordable (for lowest cost self-only plan option available) and provides minimum value.

Below is a table of increases in 4980H penalty amounts by year since 2018:

Sledgehammer Penalty (4980H(a))

Penalty	2018	2019	2020	2021
Monthly	\$193.33	\$208.33	\$214.17	\$225
Annual	\$2,320	\$2,500	\$2,570	\$2,700

Tack-hammer Penalty (4980H(b))

Penalty	2018	2019	2020	2021
Monthly	\$290	\$312.50	\$321.66	\$338.33
Annual	\$3,480	\$3,750	\$3,860	\$4,060

Updated Health Savings Account (HSA) Limits and Thresholds

HDHP Minimum Annual Deductible

Coverage Type	2018	2019	2020	2021
Self-only	\$1,350	\$1,350	\$1,400	\$1,400
Family	\$2,700	\$2,700	\$2,800	\$2,800

HDHP Out-of-Pocket Maximum

Coverage Type	2018	2019	2020	2021
Single	\$6,650	\$6,750	\$6,900	\$7,000
Family	\$13,300	\$13,500	\$13,800	\$14,000

Maximum Contribution Limit

Coverage Type	2018	2019	2020	2021
Self-only	\$3,450	\$3,500	\$3,500	\$3,600
Family	\$6,900	\$7,000	\$7,100	\$7,200

HSA Catch-up Contribution

2018	2019	2020	2021
\$1,000	\$1,000	\$1,000	\$1,000

Updated Health FSA Limits and Thresholds

2018	2019	2020	2021
\$2,650	\$2,700	\$2,750	\$2,750

Updated Health FSA Transportation Fringe Benefits

Parking (Code § 132 (f)) per month

2018	2019	2020	2021
\$260	\$265	\$270	\$270

Transit Passes and Vanpooling (Code § 132 (f)) per month

2018	2019	2020	2021
\$260	\$265	\$270	\$270