Health Care Reform

Simplifying Reform - Out of Pocket Maximum Limits

Out of Pocket Maximum Limits

Beginning in 2014 the Affordable Care Act (ACA) requires that all health plans limit participant out-of-pocket (OOP) maximums. The OOP maximum includes deductibles, co-insurance, co-payments, and any other required participant expenditure for essential health benefits covered under the plan. OOP maximums do not include premiums, balance billing amounts for non-network providers, or spending for non-covered or ineligible services.

What Types of Plans Must Comply?

The OOP maximum rules apply to any "group health plan", including large and small group fully insured plans, and all self-insured health plans. However, grandfathered group health plans are not required to comply with the OOP limits. Note that in a separate rule (not covered in this summary) the ACA also imposes deductible limits which apply only to small group fully insured plans.

OOP Maximum Limits

For plan years beginning in 2014, a plan's OOP maximum cannot exceed the maximum OOP expense limits for HSA-compatible high-deductible health plans (HDHPs). For 2014, the HDHP maximum OOP expense limit cannot exceed $6,350 for self-only coverage and $12,700 for family coverage. This amount will be adjusted annually for increases in the cost of living. In the case of a network plan, out-of-network cost-sharing does not count toward the OOP limit.

One Year Transition Rule for Plans with Multiple Administrators

The regulatory agencies have provided a one-year safe harbor for plans which use multiple service providers which administer different parts of a plan (such as one third-party administrator for major medical coverage and a separate pharmacy benefit manager).

For the first plan year beginning on or after January 1, 2014, where a plan or insurer utilizes more than one service provider, the requirement will be satisfied if both of the following conditions are met:

- The plan complies with the OOP maximum limit with respect to core major medical coverage; and
- If there is an OOP maximum on other coverage (for example, if an OOP applies specifically to prescription drug coverage), the separate maximum may not exceed the allowed dollar amounts described above.

For plan years beginning on or after January 1, 2015, OOP for plans with separate administrators must be integrated to meet the combined OOP maximum.

Summary

Fully insured plans will likely find that health insurance carriers will only be offering plans that meet the OOP maximum requirements. However, self-funded employers will need to work with their administrators to redesign plans with higher OOP limits.