

Family Plans Must Embed Out-of-pocket Limits in 2016

The Affordable Care Act (ACA) requires non-grandfathered health plans to limit an enrollee's out-of-pocket costs for essential health benefits each year. This annual limit is often referred to as the "out-of-pocket (OOP) maximum."

Recent [agency guidance](#) will require the self-only OOP maximum to be embedded family coverage when the plan's OOP maximum for family coverage exceeds the ACA's limits for individual coverage. This requirement will take effect beginning with the 2016 plan year, when the OOP maximum for self-only coverage will be \$6,850.

This guidance applies to all non-grandfathered group health plans, including self-funded plans and insured plans of all sizes.

While this change will have a significant impact on many employer-sponsored health care plans, high deductible health plans are likely to be affected the most. This is due to the fact that high-deductible family plans have higher cost-sharing limits. They are also typically designed to administer a single

OOP limit on all family coverage with no underlying OOP maximum for each individual enrolled in the family plan.

Under the new guidance, many high-deductible family health plans will need to be modified so that a single individual's OOP costs do not exceed the specified maximum. For instance, currently, a plan could have an \$8,000 OOP limit for family coverage and require that limit to be satisfied before it covers expenses at 100 percent, even if one individual incurs all of the expenses.

According to the guidance, this type of plan design will no longer be permitted for non-grandfathered plans, and the plan would have to be amended so that each individual would not be required to pay more than the OOP maximum for individual coverage for essential health benefits.

DID YOU KNOW?

The ACA's excise tax on high-cost employer health plans (or the "Cadillac tax") is set to take effect in 2018. Under this provision, employer coverage that exceeds certain dollar limits will be subject to a 40-percent excise tax.

Bipartisan support is currently growing for a repeal of the Cadillac tax. Those who are advocating for repeal assert that the tax is no longer needed to help keep health care costs in check. They also argue that it will lead to reduced or eliminated benefits and higher costs for employees.

With repeal far from certain, employers are already planning ahead for 2018 and making adjustments to benefits offerings to avoid the tax penalty.

IRS Issues New Q&As on Section 6056 Reporting

The Internal Revenue Service (IRS) recently released new [Questions and Answers](#) (Q&As) regarding Section 6056 reporting. These Q&As provide additional details on completing Forms 1094-C and 1095-C.

Under Section 6056, applicable large employers (ALEs) subject to the "pay or play" rules must report information to the IRS and full-time employees about the health coverage they offer. Reporting is first required in early 2016 for calendar year 2015.

The Q&As clarify existing requirements under Section 6056 and provide more guidance on specific aspects of reporting that had not been addressed previously. For example, the Q&As address reporting offers of COBRA coverage and reporting offers of coverage for employees who are newly hired or who terminate employment during a month. The Q&As also include examples that may be helpful when completing Forms 1094-C and 1095-C.