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FAQs Further Clarify New Embedded Out-of-Pocket Requirement

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As reported earlier, starting with the 2016 plan year, the self-only annual limitation on cost sharing for non-grandfathered plans (\$6,850 for 2016) applies to each individual, even if the individual is enrolled in family coverage.

On May 26, 2015, the Departments of Labor (DOL), Health and Human Services (HHS), and the Treasury (collectively, the Departments) issued new FAQs further clarifying this new rule, confirming that it applies to all non-grandfathered group health plans, including self-insured plans, large group health plans, and high deductible health plans.

The Departments also provided the following example:

Assume that a family of four individuals is enrolled in family coverage under a group health plan in 2016 with an aggregate annual limitation on cost sharing for all four enrollees of \$13,000. Assume that individual #1 incurs claims associated with \$10,000 in cost sharing and that individuals #2, #3, and #4 each incur claims associated with \$3,000 in cost sharing (in each case, absent the application of any annual limitation on cost sharing).

In this case, because the self-only maximum annual limitation on cost sharing (\$6,850 in 2016) applies to each individual, cost sharing for individual #1 for 2016 is limited to \$6,850, and the plan is required to bear the difference between the \$10,000 in cost sharing for individual #1 and the maximum annual limitation for that individual, or \$3,150. With respect to cost sharing incurred by all four individuals under the policy, the aggregate \$15,850 (\$6,850 + \$3,000 + \$3,000 + \$3,000) in cost sharing that would otherwise be incurred by the four individuals together is limited to \$13,000, the annual aggregate limitation under the plan, under the assumptions in this example, and the plan must bear the difference between the \$15,850 and the \$13,000 annual limitation, or \$2,850.

For the FAQs, visit: <http://www.dol.gov/ebsa/pdf/faq-aca27.pdf>