May 27, 2015

Embedded Individual Out of Pocket Limits

The Departments confirmed yesterday what we had suspected all along - that recently issued HHS guidance regarding the application of the self-only maximum annual out of pocket limitation to those who enroll under family coverage also applies to self-insured plans. Click here for the DOL Guidance. Plan sponsors should confirm that, starting for plan years beginning in 2016, that the individual out of pocket limitation applies individually to each person enrolled in family coverage (or any coverage that is not self-only). The family out-of-pocket limitation also applies to the entire family as well. Sometimes this is referred to as an “embedded individual maximum.” Many standard PPO plans have routinely included embedded individual out of pocket maximums, but many HDHP plans have historically not provided for such an embedded individual out of pocket maximum. Therefore, depending on an employer's health plan design, changes may be required for 2016 coverage.