

COMPLIANCE ALERT

IRS RELEASES 2021 HEALTH SAVINGS ACCOUNT AND HIGH-DEDUCTIBLE HEALTH PLAN LIMITS

June 1, 2020

The IRS recently released [Revenue Procedure 2020-32](#), which includes the 2021 inflation-adjusted amounts for health savings accounts (HSAs) and high-deductible health plans (HDHPs). These limits include the maximum HSA contribution limit, the minimum deductible amount for HDHPs, and the maximum out-of-pocket expense limit for HDHPs. These limits vary based on whether an individual has self-only or family coverage under an HDHP. The IRS limits for HSA contributions and HDHP maximum out-of-pocket limits will increase effective January 1, 2021, while the HDHP limits will increase effective for plan years beginning on or after January 1, 2021.

The HSA annual contribution limit for an individual with self-only HDHP coverage will increase by \$50 to \$3,600 for 2021. The annual contribution limit for an individual with family HDHP coverage will increase by \$100 to \$7,200.

With respect to HSA-compatible HDHPs, the minimum required deductibles are unchanged from 2020, so these amounts remain as \$1,400 for self-only coverage and \$2,800 for family coverage. (The deductible does not apply to certain preventive care services.) The 2021 maximum out-of-pocket expense limit increases to \$7,000 for self-only coverage and to \$14,000 for family coverage.

The following table compares the 2020 and 2021 limits. It also includes the catch-up contribution limit that applies to HSA-eligible individuals who are age 55 or older, which is not adjusted for inflation and stays the same from year to year.

Type of Limit	2020		2021	
	Self-Only	Family	Self-Only	Family
▪ HSA Maximum Contribution	\$3,550	\$7,100	\$3,600	\$7,200
▪ HSA Maximum "Catch-up" Contribution (individuals age 55 or older)	\$1,000	\$1,000	\$1,000	\$1,000
▪ HDHP Minimum Deductible	\$1,400	\$2,800	\$1,400	\$2,800
▪ HDHP Maximum Out-of-Pocket Expense	\$6,900	\$13,800	\$7,000	\$14,000

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ACTION STEPS

Because the cost-sharing limits for HDHPs will change for 2021, employers that sponsor these plans may need to make plan design changes for plan years beginning in 2021. Also, employers will need to update enrollment materials to reflect the increased limits that will apply for 2021.

EPIC Employee Benefits Compliance Services

For further information on this or any other topics, please contact your EPIC benefits consulting team.

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