



## Health Care Reform **Bulletin**

# Annual Deductible Limit Repealed for Small Health Plans

Provided by Talon Benefits

### Quick Facts

- For 2014 plan years, small group health plans were subject to annual deductible limits.
- A new law repeals the ACA's annual deductible limit, effective retroactively.

The repeal of the deductible limit:

- Does not affect the out-of-pocket maximum
- Will allow small employers to offer health plans with higher deductibles

The Act retroactively eliminates the Affordable Care Act's annual deductible limit that applied to health plans in the small group market.

On April 1, 2014, President Obama signed the [Protecting Access to Medicare Act of 2014](#) (Act) into law. The Act's main provisions preserve the pay rate for physicians treating Medicare patients and delay the compliance deadline for converting to the updated International Classification of Diseases codes for at least one year.

The Act also **eliminates the Affordable Care Act's (ACA) annual deductible limit** that applied to health plans in the small group market. This change is retroactively effective to when the ACA was enacted in March 2010.

The Act does NOT eliminate the ACA's out-of-pocket maximum, which applies to all non-grandfathered health plans for plan years beginning on or after Jan. 1, 2014.

### Cost-sharing Limits

Effective for 2014 plan years, the ACA requires non-grandfathered health plans to comply with cost-sharing limits with respect to their coverage of essential health benefits.

### Annual Deductible Limit

As originally enacted, the ACA included an annual deductible limit that applied to health plans offered in the small group market. This

limit became effective for plan years beginning on or after Jan. 1, 2014. Effective for 2014 plan years, the ACA provided that the annual deductible may not exceed:

- \$2,000 for self-only coverage; and
- \$4,000 for family coverage.

The ACA required the deductible limit to be adjusted annually. For 2015, the Department of Health and Human Services (HHS) announced that the annual deductible limit would increase to \$2,050 for self-only coverage and \$4,100 for family coverage.

HHS created an exception that allowed a small health plan's deductible to exceed the ACA limit if a plan could not reasonably reach the actuarial value of a given level of coverage (that is, a metal tier—bronze, silver, gold or platinum) without exceeding the limit. This exception was available to all metal-level plans, but it was particularly useful for bronze-level plans.

### Out-of-pocket Maximum

The ACA places an annual limit on total enrollee cost-sharing for essential health benefits, effective for plan years beginning on or after Jan. 1, 2014. This annual limit, or out-



of-pocket maximum, applies to all non-grandfathered health plans. This includes, for example, self-insured health plans and insured health plans of any size.

Effective for 2014 plan years, a non-grandfathered health plan's out-of-pocket maximum may not exceed:

- \$6,350 for self-only coverage; and
- \$12,700 for family coverage.

The ACA requires the out-of-pocket maximum to be adjusted annually. For 2015, HHS announced that the out-of-pocket maximum will increase to \$6,600 for self-only coverage and \$13,200 for family coverage.

In addition, HHS provided transition relief for 2014 plan years for plans that utilize more than one service provider to administer benefits.

#### **Repeal of Annual Deductible Limit**

The Act eliminates the ACA's annual deductible limit for health plans in the small group market. This change is effective as of the date of the ACA's enactment in March 2010.

The repeal of the annual deductible limit will provide small employers with more flexibility to control premium costs by selecting a health plan with a higher deductible. However, the out-of-pocket maximum, which includes the deductible amount, and the ACA's actuarial requirements for small health plans will continue to limit enrollee cost-sharing in small employer plans.

Small employer health plans that have started their 2014 plan years (for example, calendar year plans) were already required to incorporate the ACA's annual deductible limit, unless a higher limit applied due to the actuarial value exception. It is not likely that these plans will be affected by the repeal of the ACA's deductible limit until their 2015 plan years.

However, small employer health plans that have not started their 2014 plan years (for

example, health plans with a Nov. 1 to Oct. 31 plan year) may be able to avoid the ACA's deductible limit altogether.

#### **Delay for ICD-10 Codes**

The Act delays the deadline for HIPAA-covered entities to comply with the updated set of diagnosis and procedure codes known as the International Classification of Diseases, 10th Edition (ICD-10). The deadline is delayed from Oct. 1, 2014 until at least Oct. 1, 2015. This delay will give covered entities and their business associates more time to fully transition to the ICD-10 codes for their HIPAA standard transactions.

