



IRS Announces Spike in 2023 Limits for HSAs and High-Deductible Health Plans

Separately, HHS released annual out-of-pocket limits for ACA-compliant plans

By Stephen Miller, CEBS

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Health savings account (HSA) contribution limits for 2023 are going up significantly in response to the recent inflation surge, the IRS announced April 29, giving employers that sponsor high-deductible health plans (HDHPs) plenty of time to prepare for open enrollment season later this year.

The annual inflation-adjusted limit on HSA contributions for self-only coverage will be **\$3,850**, up from \$3,650 in 2022. The HSA contribution limit for family coverage will be **\$7,750**, up from \$7,300. The adjustments represent approximately a 5.5 percent increase over 2022 contribution limits, whereas these limits rose by about 1.4 percent between 2021 and 2022.

In Revenue Procedure 2022-24 (<https://www.irs.gov/pub/irs-drop/rp-22-24.pdf>), the IRS confirmed HSA contribution limits effective for calendar year 2023, along with minimum deductible and maximum out-of-pocket expenses for the HDHPs with which HSAs are paired.

Contribution and Out-of-Pocket Limits for Health Savings Accounts and High-Deductible Health Plans			
	2023	2022	Change
HSA contribution limit (employer + employee)	Self-only: \$3,850 Family: \$7,750	Self-only: \$3,650 Family: \$7,300	Self-only: +\$200 Family: +\$450
HSA catch-up contributions (age 55 or older)	\$1,000	\$1,000	No change (set by statute)
HDHP minimum deductibles	Self-only: \$1,500 Family: \$3,000	Self-only: \$1,400 Family: \$2,800	Self-only: +\$100 Family: +\$200
HDHP maximum out-of-pocket amounts (deductibles, co-payments and other amounts, but not premiums)	Self-only: \$7,500 Family: \$15,000	Self-only: \$7,050 Family: \$14,100	Self-only: +\$450 Family: +\$900
Source: IRS, Revenue Procedure 2022-24.			

A Significant Jump

The higher limits for 2023 are "a significant jump, much higher than previous increases on an annual basis," said Kevin Robertson, chief revenue officer at HSA Bank, which provides HSA administrative services.

The 2023 limits, belatedly, can be used by employers during open enrollment to encourage employees to start contributing to their accounts or to raise their current contribution rate. In addition, it may be a catalyst for employers who don't already contribute to employees' HSAs to begin doing so, "even if it's a nominal amount, a couple of hundred dollars or whatever." Employer contributions, he noted, tend to heighten employees' engagement with their accounts and enhance the perceived value of their health care benefits.

Robertson said he's seeing more employers interested in matching employees' HSA contributions, as they typically do with 401(k) retirement plans, using formulas similar to common 401(k) matches.

"We're also seeing more employers consider making income-based contributions that favor lower-paid employees" who may need extra help paying health care costs under a high-deductible plan, he said.

HSA Contribution Reminders

- **Married couples with HSA-eligible family coverage** will share one family HSA contribution limit of \$7,750 in 2023. If both spouses have eligible self-only coverage, each spouse may contribute up to \$3,850 in separate accounts.
- **If both spouses with family coverage are age 55 or older**, they must have two HSA accounts in separate names if they each want to contribute an additional \$1,000 catch-up contribution.
- **If only one spouse is 55 or older** but the younger spouse contributes the full family contribution limit to the HSA in his or her name, the older spouse must open a separate account to make the additional \$1,000 catch-up contribution.
- **Account holders who exceed the contribution limit** are subject to an annual 6 percent excise penalty tax on the excess amount unless it is withdrawn from the HSA before the tax deadline for that year.

Adjustments Reflect Inflation

Contribution limits for various tax-advantaged accounts for the following year are usually announced in October, "except for HSAs, which come out in the latter part of April or May," explained Harry Sit, CEBS, who writes The Finance Buff blog. The contribution limits are adjusted for inflation (rounded to the nearest \$50) annually, using the Consumer Price Index for All Urban Consumers for the 12-month period ending on March 31. The catch-up contribution amount, however, is fixed by statute.

HSA and HDHP limit increases "are released much earlier than other employee benefit limits so that insurance companies that offer high-deductible health plans—which participants must be enrolled in to make HSA contributions—can get their insurance products approved by state insurance regulators," explained William Sweetnam, legislative and technical director at the Employers Council on Flexible Compensation (ECFC), which represents sponsors of account-based benefits plans.

Advanced Planning

The 2023 limits are "good to know for planning purposes," Sweetnam said, "Employers generally start talking to their employees about making health care choices, and about these limits, during open enrollment season after the end of summer."

But it's not too early to make sure your work site is ready to begin preparing and updating administration systems to reflect the [upcoming year's] cost-of-living adjustments," advised the Boston-based Wagner Law Group. In addition, employers should incorporate the new HSA limits into all relevant communications such as open enrollment and communication materials, plan documents and summary plan

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ACA's Limits Differ

There are two sets of limits on out-of-pocket expenses for health plans, determined annually by federal agencies, which can be a source of confusion for plan administrators.

The Department of Health and Human Services (HHS) establishes annual out-of-pocket or cost-sharing limits (www.shrm.org/ResourcesAndTools/hr-topics/benefits/Pages/HHS-2021-health-plan-parameters-raise-out-of-pocket-maximums.aspx) for essential health benefits covered under an ACA-compliant plan, excluding grandfathered plans (www.shrm.org/ResourcesAndTools/hr-topics/benefits/pages/is-it-time-to-retire-grandfathered-health-plans.aspx).

HHS issued the 2023 annual dollar limits on cost-sharing (<https://www.cms.gov/files/document/2023-papi-parameters-guidance-v4-final-12-27-21-508.pdf>) at the end of 2021.

The HHS's annual out-of-pocket limits are higher than those set by the IRS. To qualify as an HSA-compatible HDHP, a plan must not exceed the IRS's lower out-of-pocket maximums.

Below is a comparison of the two sets of limits:

	2023	2022
Maximum out-of-pocket for ACA-compliant plans (HHS)	Self-only: \$9,100 Family: \$18,200	Self-only: \$8,750 Family: \$17,400
Maximum out-of-pocket for HSA-qualified HDHPs (IRS)	Self-only: \$7,500 Family: \$15,000	Self-only: \$7,050 Family: \$14,100

The ACA's self-only out-of-pocket maximum for essential health benefits applies to each individual in a nongrandfathered group health plan, regardless of whether the individual is enrolled in self-only or family coverage.

Excepted-Benefit HRA Maximum

For plan year 2023, Revenue Procedure 2022-24 also raises the maximum amount employers may contribute to an excepted-benefit health reimbursement arrangement (HRA) to \$1,950, which is \$150 higher than the 2022 amount of \$1,800. Excepted-benefit HRAs are limited to paying for vision and dental coverage or similar benefits exempt from the ACA and are not covered by the employer's primary group plan.

Related SHRM Articles:

2023 Health FSA Contribution Cap Rises to \$3,050 (www.shrm.org/ResourcesAndTools/hr-topics/benefits/Pages/2023-fsa-contribution-cap-and-other-colas.aspx), *SHRM Online*, October 2022

IRS Sets 2023 Health Plan Premium Affordability Threshold at 9.12% of Pay (www.shrm.org/ResourcesAndTools/hr-topics/benefits/Pages/IRS-sets-2023-health-plan-premium-affordability-threshold.aspx), *SHRM Online*, August 2022

An Early Release of 2023 Out-of-Pocket Limits for Non-HSA Plans (www.shrm.org/ResourcesAndTools/hr-topics/benefits/Pages/an-early-release-of-2023-out-of-pocket-limits-for-non-hsa-plans.aspx), *SHRM Online*, February 2022