

## 2015 Health FSA Contribution Limit and Other ACA Indexed Amounts

The IRS has announced that the 2015 limit on salary reduction contributions to a health flexible spending account will be \$2,550 and the PCORI fee for 2014 will be \$2.08. Previously, the Department of Health & Human Services released the 2015 ACA indexed amounts for the out-of-pocket maximum and transitional reinsurance program.

### Background

The IRS has announced that the health flexible spending account (health FSA) salary reduction cap will increase by \$50 for 2015 — from \$2,500 to \$2,550. The IRS previously announced the 2014 PCORI fee of \$2.08, which is payable in 2015 for calendar year plans. The Department of Health & Human Services (HHS) released the 2015 out-of-pocket maximums and transitional reinsurance fees earlier this year. The IRS has not yet announced the 2015 employer shared responsibility assessment amounts, but the 2015 assessment amounts can be estimated.

### 2015 Limit on Health FSA Salary Reduction Contributions

Prior to the Affordable Care Act (ACA), the Internal Revenue Code (Code) imposed no annual limit on the amount an employee could contribute to a health FSA. However, employers typically included an annual limit in their programs to reduce their risk of loss if an employee terminated midyear, and to limit forfeitures of employee contributions under section 125's "use-it-or-lose-it" rule, which requires the forfeiture of FSA balances not used to reimburse eligible expenses incurred during the plan year.

ACA added Code section 125(i), which imposes an annual limit of \$2,500 on salary reduction contributions made to health FSAs for taxable years beginning after December 31, 2012. Starting in 2014, this limit is subject to indexing based on the increase in the



CPI-U each year. Based on the indexing rules, there was no increase in 2014, and the limit remained at \$2,500. The IRS has now announced, in [Revenue Procedure 2014-61](#), the increase in the 2015 limit to \$2,550. Plan documents may need to be amended to allow this increase.

**Comment.** If future CPI-U increases are similar to the past several years, the FSA limit will likely increase \$50 each year for at least the next two to three years. Therefore, the 2016 FSA limit will probably be \$2,600.

## 2014 PCORI Fee

The ACA imposes a fee on health insurers and plan sponsors of self-insured group health plans to help fund the Patient Centered Outcomes Research Institute (PCORI). The PCORI fee was first assessed for plan years ending after September 30, 2012. The initial fee was \$1 times the average number of covered lives for that first plan year and \$2 per covered life for the plan year ending after September 30, 2013. The PCORI fee will not be assessed for plan years ending after September 30, 2019, which means that for a calendar year plan, the last year for assessment is the 2018 calendar year.

The IRS announced in [Notice 2014-56](#) that the 2014 PCORI fee will be \$2.08. Plan sponsors must pay the PCORI fee by July 31 of the calendar year immediately following the last day of that plan year. All plan sponsors of self-insured group health plans will pay the fee in 2015, but the amount of the fee will vary depending on when the 2014 plan year ends.

Plan Year Ending in 2014	Fee per Covered Life, Payable by July 31, 2015
Plan years ending October 1, 2014 through December 31, 2014, including calendar year plans	\$ 2.08
Plan years ending on or before September 30, 2014	\$ 2.00

## ACA Indexed Dollar Amounts

The table below summarizes the ACA indexed dollars limits for 2015 and prior years.

## ACA Indexed Dollar Amounts

	Out-of-pocket Maximums (1,5)		PCORI Fee (2,5)	Transitional Reinsurance Fee (6)	Health FSA Salary Reduction Cap (3,5)	Employer Shared Responsibility Annual Assessments (1,4,6,7)	
	Self-only	Other than Self-only				4980H(a) – Failure to Offer Coverage	4980H(b) – Failure to Offer Affordable, Minimum Value Coverage
2015	\$ 6,600	\$ 13,200	-	\$ 44	\$ 2,550	\$2,080 (Est.)	\$3,120 (Est.)
2014	\$ 6,350	\$ 12,700	\$ 2.08	\$ 63	\$ 2,500	\$ 2,000	\$ 3,000
2013	N/A	N/A	\$ 2.00	N/A	\$ 2,500	N/A	N/A
2012	N/A	N/A	\$ 1.00	N/A	N/A	N/A	N/A

**Notes:**

- (1) Indexed to increase in average per capita premium for US health insurance coverage in prior calendar year. The out-of-pocket maximum does not apply to grandfathered plans or retiree-only plans.
- (2) Indexed to increases in national health expenditures.
- (3) Indexed for CPI-U.
- (4) One-twelfth of annual amount assessed on monthly basis. No assessments for 2014.
- (5) Applies on a plan year basis.
- (6) Applies on a calendar year basis.
- (7) The 2015 assessment amounts have not been released. Estimate based on increase in average per capita premium for US health insurance coverage in 2014 as determined by HHS.

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