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## SUMMARY OF 2019 BENEFIT-RELATED COST-OF-LIVING ADJUSTMENTS

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The IRS, PBGC, Social Security Administration (SSA), and Centers for Medicare and Medicaid Services (CMS) have issued 2019 cost-of-living adjustments (COLAs) for retirement, health and fringe benefit plans; Medicare; and Social Security and Supplemental Security Income (SSI). This GRIST covers the key 2019 COLAs for benefit plans, including the 2019 limits for retirement plans qualified in Puerto Rico announced Dec. 31, 2018, and the IRS's 2019 covered compensation tables released March 13, 2019.

### RETIREMENT PLAN LIMITS

Employer-sponsored retirement plans may be affected by annual changes to [US](#) and [Puerto Rico](#) qualified plan limits; [covered compensation](#), which is used in safe-harbor plan designs and nondiscrimination testing; and [PBGC premiums, guaranteed benefits and maximum present value](#). Other retirement-related COLAs may affect employees who are eligible for the [saver's credit](#) or have individual retirement accounts (IRAs), including [traditional and Roth IRAs](#).

### US Qualified Retirement Plan Limits

IRS [Notice 2018-83](#) provides qualified retirement plan limits for 2019. After applying the rounding rules in the Internal Revenue Code (IRC), the 2.6% increase in the third-quarter CPI from 2017 to 2018 raised almost all of the limits, except for catch-up contribution limits (\$6,000 for most plans but \$3,000 for SIMPLE plans) and a few other limits. The following table shows the qualified retirement plan limits for 2017, 2018 and 2019, along with unrounded 2019 values — calculated by Mercer — to facilitate projections.

## SUMMARY OF 2019 BENEFIT-RELATED COST-OF-LIVING ADJUSTMENTS

IRC RETIREMENT PLAN LIMIT	2019 (NOT ROUNDED)	2019	2018	2017
Treas. Reg. § 1.401(a)(9)-6 limit on premiums paid for a qualified longevity annuity contract	\$134,788	\$130,000*	\$130,000*	\$125,000
401(k), 403(b) and eligible 457 plan elective deferrals (and designated Roth contributions)	19,217	19,000	18,500	18,000
414(v)(2)(B)(i) catch-up contributions (plans other than SIMPLE plans)	\$6,406	\$6,000	\$6,000	\$6,000
408(p)(2)(E) SIMPLE plan elective deferrals	13,302	13,000	12,500	12,500
414(v)(2)(B)(ii) SIMPLE plan catch-up contributions	3,203	3,000	3,000	3,000
408(k)(2)(C) SEP minimum compensation	638	600	600	600
415(b) DB plan maximum annuity	226,992	225,000	220,000	215,000
415(c) DC plan maximum annual addition	56,748	56,000	55,000	54,000
401(a)(17) and 408(k)(3)(C) compensation	283,740	280,000	275,000	270,000
401(a)(17) compensation for eligible participants in certain governmental plans in effect July 1, 1993	419,160	415,000	405,000	400,000
414(q)(1)(B) highly compensated employee and 414(q)(1)(C) top-paid group	128,208	125,000	120,000	120,000
416(i)(1)(A)(i) officer compensation for top-heavy plan key employee definition	184,431	180,000	175,000	175,000
Treas. Reg. § 1.61-21(f)(5) control employee for fringe benefit valuation purposes				
Officer compensation	114,185	110,000	110,000	105,000
Employee compensation	228,370	225,000	220,000	215,000
409(o)(1)(C) tax-credit ESOP limits for lengthening the distribution period				
Five-year maximum balance	1,134,960	1,130,000	1,105,000	1,080,000
One-year extension	226,992	225,000	220,000	215,000
430(c)(7)(D)(i)(II) excess compensation threshold	N/A <sup>†</sup>	N/A <sup>†</sup>	N/A <sup>†</sup>	1,115,000 <sup>†</sup>

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IRC RETIREMENT PLAN LIMIT	2019 (NOT ROUNDED)	2019	2018	2017
432(e)(9)(H)(v) systemically important multiemployer plan (billions)	\$1.097 B	\$1.097 B	\$1.087 B	\$1.012 B
664(g)(7) qualified gratuitous transfer of employer securities to an ESOP	51,903	50,000	50,000	45,000

\* The regulation calls for rounding the increased limit down to the nearest \$10,000, so the limit should have remained \$125,000 until the unrounded number reached \$135,000. However, IRS published the 2018 limit as \$130,000. In Notice 2018-83, IRS said that the next increase will be to \$135,000, after which the limit will be adjusted only in increments of \$10,000.

† Although 2015 was the last possible year in the restriction period, IRS continued to publish inflation-adjusted excess compensation thresholds through 2017.

**Puerto Rico Qualified Retirement Plan Limits**

On Dec. 31, 2018, the Puerto Rico (PR) Treasury [announced](#) 2019 limits for PR-only plans and dual-qualified plans, confirming Mercer's estimates. Changes to the PR tax code in 2011 aligned its annual limits for compensation, contributions and benefits with the US qualified plan limits. (A 2017 PR law (Act 9-2017) unlinked the maximum annual addition for DC plans and highly compensated employee (HCE) threshold from the corresponding US amounts, but later laws reversed those changes to the maximum annual addition ([Act 106-2017](#)) and the HCE threshold ([Act 257-2018](#)).)

Pretax elective deferral limits for PR-only plans and catch-up contribution limits for both PR-only and dual-qualified plans are lower than the parallel US limits and aren't indexed for inflation after 2013 (2012 for catch-up contributions). Puerto Rican participants' elective deferrals (excluding catch-ups) to dual-qualified plans, when added to deductible IRA contributions, may not exceed the sum of the elective deferral limit for PR-only plans plus the contribution limit for PR IRAs. The next table shows the annual limits for PR-only and dual-qualified plans but doesn't address Puerto Rican employees of the US government.

PR CODE RETIREMENT PLAN LIMIT	2019	2018	2017
1081.01(d)(7)(A)(i) elective deferral — PR-only plans	\$15,000*	\$15,000*	\$15,000*
1081.01(d)(7)(A)(ii) elective deferral — dual-qualified plans	19,000†	18,500†	18,000†
1081.01(d)(7)(A)(iii) combined limit on elective deferrals (other than catch-up contributions) to dual-qualified plans and deductible IRA contributions	20,000*	20,000*	20,000*
1081.01(d)(7)(C)(i) catch-up contributions to both PR-only and dual-qualified plans	1,500*	1,500*	1,500*
1081.01(a)(12) annual compensation limit	280,000	275,000	270,000
1081.01(a)(11)(A)(i) DB maximum annuity	225,000	220,000	215,000

PR CODE RETIREMENT PLAN LIMIT	2019	2018	2017
1081.01(a)(11)(B)(i) DC maximum annual addition	\$56,000 <sup>§</sup>	\$55,000 <sup>§</sup>	\$54,000 <sup>‡§</sup>
1081.01(d)(3)(E)(iii)(IV) highly compensated employee threshold	125,000 <sup>§§</sup>	120,000 <sup>§§</sup>	120,000 <sup>§§</sup>

\* Limit is set by statute and is not indexed for inflation.  
 † Participants age 75 or older may be subject to a \$15,000 limit because their IRA limit is zero.  
 ‡ The announced limit for 2017 doesn't reflect Act 9-2017, which uncoupled the maximum annual addition from the limit for US qualified plans and set Puerto Rico's limit at \$75,000, with no indexing for inflation. Act 106-2017 reversed the earlier law and restored the link to the limits for US qualified plans.  
 § The 1081.01(a)(15) cumulative cap on after-tax contributions is 10% of aggregate pay while participating.  
 §§ The announced thresholds for 2017–2018 don't reflect Act 9-2017, which uncoupled the highly compensated employee threshold from the figure for US qualified plans and set Puerto Rico's threshold at \$150,000, with no indexing for inflation. Act 257-2018 reversed the 2017 law and restored the link to the limits for US qualified plans.

### Covered Compensation

Qualified DB pension plans use covered compensation to determine “permitted disparity” under Section 401(l) design-based safe-harbor rules and “imputed disparity” under Section 401(a)(4) general nondiscrimination testing rules. Covered compensation is the average Old-Age, Survivors and Disability Insurance (OASDI) contribution and benefit base for the 35 years ending with the year the employee reaches Social Security retirement age. IRS rounds Social Security retirement ages up to the next higher integer for covered compensation purposes, even though the actual Social Security full retirement age increases in two-month increments. Qualified plans have the option to determine permitted or imputed disparity using either actual or rounded covered compensation.

IRS [announced](#) 2019 covered compensation on March 13, 2019, confirming Mercer's estimates. The next table shows covered compensation amounts for individuals who have already reached Social Security full retirement age. (At that age, covered compensation becomes fixed and is no longer affected by annual changes in the OASDI contribution and benefit base.).

YEAR BORN	SOCIAL SECURITY FULL RETIREMENT		COVERED COMPENSATION	
	AGE	YEAR	NOT ROUNDED	ROUNDED
1920	65	1985	\$12,276	\$12,000
1921	65	1986	13,368	12,000
1922	65	1987	14,520	15,000
1923	65	1988	15,708	15,000
1924	65	1989	16,968	18,000
1925	65	1990	18,312	18,000

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YEAR BORN	SOCIAL SECURITY FULL RETIREMENT		COVERED COMPENSATION	
	AGE	YEAR	NOT ROUNDED	ROUNDED
1926	65	1991	\$19,728	\$21,000
1927	65	1992	21,192	21,000
1928	65	1993	22,716	24,000
1929	65	1994	24,312	24,000
1930	65	1995	25,920	27,000
1931	65	1996	27,576	27,000
1932	65	1997	29,304	30,000
1933	65	1998	31,128	30,000
1934	65	1999	33,060	33,000
1935	65	2000	35,100	36,000
1936	65	2001	37,212	36,000
1937	65	2002	39,444	39,000
1938	65 & 2 months	2004	43,992	45,000
1939	65 & 4 months	2005	46,344	45,000
1940	65 & 6 months	2006	48,816	48,000
1941	65 & 8 months	2007	51,348	51,000
1942	65 & 10 months	2008	53,952	54,000
1943	66	2009	56,628	57,000
1944	66	2010	59,268	60,000
1945	66	2011	61,884	63,000
1946	66	2012	64,560	66,000
1947	66	2013	67,308	66,000
1948	66	2014	69,996	69,000
1949	66	2015	72,636	72,000
1950	66	2016	75,180	75,000

YEAR BORN	SOCIAL SECURITY FULL RETIREMENT		COVERED COMPENSATION	
	AGE	YEAR	NOT ROUNDED	ROUNDED
1951	66	2017	\$77,880	\$78,000
1952	66	2018	80,532	81,000

The next table shows 2019 amounts for individuals below Social Security full retirement age, along with 2018 amounts.

YEAR BORN	SOCIAL SECURITY FULL RETIREMENT		COVERED COMPENSATION			
	AGE	YEAR	NOT ROUNDED		ROUNDED	
			2019	2018	2019	2018
1953	66	2019	\$83,244	\$83,124	\$84,000	\$84,000
1954	66	2020	85,920	85,656	87,000	87,000
1955	66 & 2 months	2022	91,056	90,540	90,000	90,000
1956	66 & 4 months	2023	93,564	92,928	93,000	93,000
1957	66 & 6 months	2024	96,000	95,220	96,000	96,000
1958	66 & 8 months	2025	98,328	97,428	99,000	96,000
1959	66 & 10 months	2026	100,596	99,564	102,000	99,000
1960	67	2027	102,804	101,652	102,000	102,000
1961	67	2028	104,964	103,680	105,000	105,000
1962	67	2029	107,028	105,612	108,000	105,000
1963	67	2030	109,080	107,532	108,000	108,000
1964	67	2031	111,084	109,404	111,000	108,000
1965	67	2032	113,004	111,204	114,000	111,000
1966	67	2033	114,852	112,920	114,000	114,000
1967	67	2034	116,580	114,516	117,000	114,000
1968	67	2035	118,200	116,004	117,000	117,000
1969	67	2036	119,700	117,384	120,000	117,000

YEAR BORN	SOCIAL SECURITY FULL RETIREMENT		COVERED COMPENSATION			
	AGE	YEAR	NOT ROUNDED		ROUNDED	
			2019	2018	2019	2018
1970	67	2037	\$121,068	\$118,620	\$120,000	\$120,000
1971	67	2038	122,376	119,808	123,000	120,000
1972	67	2039	123,660	120,960	123,000	120,000
1973	67	2040	124,884	122,064	126,000	123,000
1974	67	2041	126,000	123,036	126,000	123,000
1975	67	2042	127,008	123,924	126,000	123,000
1976	67	2043	127,884	124,680	129,000	126,000
1977	67	2044	128,640	125,292	129,000	126,000
1978	67	2045	129,384	125,904	129,000	126,000
1979	67	2046	130,128	126,528	129,000	126,000
1980	67	2047	130,776	127,044	132,000	126,000
1981	67	2048	131,328	127,464	132,000	128,400
1982	67	2049	131,784	127,800	132,000	128,400
1983	67	2050	132,192	128,076	132,000	128,400
1984	67	2051	132,600	128,364	132,900	128,400
1985	67	2052	132,768	128,400	132,900	128,400
1986+	67	2053+	132,900		132,900	128,400

**PBGC Premiums, Guaranteed Benefits and Maximum Present Value**

In October, the PBGC released 2019 premium rates; the maximum guaranteed benefit for terminating plans; and the present value of PBGC maximum guarantee table, which is used to administer Section 436 restrictions on lump sums and other accelerated payments.

The 2019 [premium rates](#) reflect changes made by the Bipartisan Budget Act of 2015:

- *Flat-rate premiums.* The 2019 single-employer flat-rate premium is set by statute. The multiemployer flat-rate premium has been indexed annually for wage inflation since 2016.

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- *Variable-rate premiums.* The \$5 increase in the variable-rate premium from \$38 in 2018 to \$43 in 2019 comprises a \$4 statutory increase and a \$1 adjustment for wage inflation (rounded to the nearest dollar). The per-participant variable-rate premium cap has been indexed annually for wage inflation since 2016.

On Oct. 22, 2018, PBGC [announced](#) that the maximum guaranteed benefit for plans terminating in 2019 will rise to \$67,295 from \$65,045 in 2018. This amount is determined using the Social Security “old law” contribution and benefit base (see [Social Security and SSI Amounts](#)). The maximum guaranteed benefit is adjusted if benefit payments start before (or after) age 65 or are paid in a form other than a single-life annuity. Some of the guaranteed amount may be paid from the plan’s assets, and participants may receive more if the plan is better funded or the PBGC can recover other amounts from the plan sponsor.

PBGC AMOUNT	2019	2018	2017
Flat-rate premium — single-employer plans	\$80*	\$74*	\$69*
Flat-rate premium — multiemployer plans	29	28	28
Variable-rate premium per \$1,000 of unfunded vested benefits	43	38	34
Per-participant variable-rate premium cap	541	523	517
Annual maximum guaranteed benefit (payable as a single-life annuity starting at age 65)	67,295	65,045	64,432
* Value is set by statute.			

The [2019 present values of the PBGC maximum guarantee](#) will drop from 2018 levels, despite the increase in the maximum age-65 guaranteed benefit. The decrease is because the August 2018 417(e) lump sum segment rates (3.10%, 4.15% and 4.46%) used to determine the 2019 present values are higher than the August 2017 rates (1.93%, 3.57% and 4.36%) used to determine the 2018 present values.

DB pension plans use this table to administer funding-based restrictions on lump sums and other accelerated distributions. Plans at least 60% but less than 80% funded may only pay lump sums (or other accelerated distributions) up to the lesser of (i) 50% of the present value of the benefit otherwise payable or (ii) the present value of the participant’s PBGC maximum guarantee. Plans subject to the restrictions must use the 2019 table for annuity starting dates in 2019, regardless of the plan year.

The next table shows the present values for 2019 and the two prior years. The [full table](#) of present values for every year back to 2008 is available on the PBGC website, along with a downloadable [Excel table](#).



**SUMMARY OF 2019 BENEFIT-RELATED COST-OF-LIVING ADJUSTMENTS**

PRESENT VALUE OF PBGC MAXIMUM GUARANTEE				PRESENT VALUE OF PBGC MAXIMUM GUARANTEE			
AGE	2019*	2018†	2017‡	AGE	2019*	2018†	2017‡
25	\$146,755	\$149,687	\$153,783	56	\$593,319	\$611,466	\$606,399
26	153,328	156,238	160,244	57	621,513	640,214	634,003
27	160,195	163,076	166,980	58	651,113	670,105	662,612
28	167,371	170,214	174,001	59	682,226	701,225	692,292
29	174,868	177,665	181,320	60	714,974	733,668	723,114
30	182,704	185,444	188,948	61	752,033	771,550	759,827
31	190,892	193,565	196,902	62	790,578	810,234	797,072
32	199,450	202,044	205,200	63	830,761	849,827	834,926
33	208,395	210,898	213,858	64	873,205	890,474	873,637
34	217,744	220,143	222,890	65	916,704	932,228	913,208
35	227,517	229,796	232,313	66	983,450	1,000,159	977,460
36	237,732	239,876	242,144	67	1,053,885	1,071,825	1,045,191
37	248,409	250,401	252,400	68	1,135,566	1,154,903	1,123,706
38	259,569	261,392	263,099	69	1,226,893	1,247,745	1,211,115
39	271,236	272,870	274,258	70	1,326,224	1,348,663	1,305,828
40	283,433	284,858	285,896	71	1,498,432	1,523,597	1,471,154
41	296,185	297,379	298,036	72	1,655,933	1,683,444	1,620,616
42	309,520	310,459	310,700	73	1,798,482	1,827,906	1,754,354
43	323,464	324,125	323,916	74	1,925,892	1,956,791	1,871,888
44	338,051	338,405	337,708	75	2,038,048	2,069,973	1,973,518
45	353,311	353,332	352,104	76	2,392,451	2,428,888	2,307,696
46	370,902	373,218	372,219	77	2,710,267	2,750,260	2,603,277
47	389,213	393,730	392,870	78	2,991,641	3,034,206	2,862,407
48	408,278	414,893	414,069	79	3,236,989	3,281,270	3,085,174
49	428,136	436,734	435,838	80	3,447,042	3,492,234	3,272,689

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PRESENT VALUE OF PBGC MAXIMUM GUARANTEE			PRESENT VALUE OF PBGC MAXIMUM GUARANTEE				
AGE	2019*	2018†	2017‡	AGE	2019*	2018†	2017‡
50	\$448,826	\$459,281	\$458,194	81	\$4,313,277	\$4,367,338	\$4,079,093
51	470,395	482,567	481,164	82	5,074,660	5,135,370	4,782,529
52	492,884	506,620	504,763	83	5,735,475	5,800,930	5,389,582
53	516,353	531,485	529,033	84	6,298,126	6,366,539	5,898,816
54	540,861	557,205	554,023	85	6,769,186	6,839,216	6,321,974
55	566,477	583,832	579,776				

\* Present value determined using August 2018 lump sum segment rates of 3.10%, 4.15% and 4.46%.

† Present value determined using August 2017 lump sum segment rates of 1.93%, 3.57% and 4.36%.

‡ Present value determined using August 2016 lump sum segment rates of 1.39%, 3.27% and 4.18%.

**Saver's Credit**

[Notice 2018-83](#) provides adjusted gross income (AGI) levels at which a “saver’s credit” is available for employee contributions to a qualified retirement plan or IRA. All AGI levels rose due to the increase in the average chained CPI for the 12 months ending Aug. 31, 2018.

SAVER'S CREDIT AGI THRESHOLDS (IRC § 25B)	2019	2018	2017
<b>50% saver's credit if AGI is no more than specified amount</b>			
Married filing jointly	\$38,500	\$38,000	\$37,000
Head of household	28,875	28,500	27,750
Other filing status	19,250	19,000	18,500
<b>20% saver's credit if AGI exceeds threshold for 50% credit but is no more than specified amount</b>			
Married filing jointly	41,500	41,000	40,000
Head of household	31,125	30,750	30,000
Other filing status	20,750	20,500	20,000

<b>SAVER'S CREDIT AGI THRESHOLDS (IRC § 25B)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>10% saver's credit if AGI exceeds threshold for 20% credit but is no more than specified amount</b>			
Married filing jointly	\$64,000	\$63,000	\$62,000
Head of household	48,000	47,250	46,500
Other filing status	32,000	31,500	31,000

### Traditional and Roth IRA Limits

Maximum 2019 deductions for traditional IRA contributions increased for the first time since 2013. AGI phase-out thresholds for Roth IRA contributions and a qualified plan participant's deductible traditional IRA contributions will increase in 2019 due to the increase in the average chained CPI for the 12 months ending Aug. 31, 2018. The catch-up contribution limit and AGI thresholds for married taxpayers filing separately aren't adjusted for cost-of-living changes. The next table summarizes the 2019 IRA limits [announced](#) by IRS, along with the limits for the previous two years.

<b>TRADITIONAL AND ROTH IRA LIMITS</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Traditional IRA deduction limits (IRC §§ 219(b)(5) and 219(g)(3)(B))</b>			
IRA maximum deductible amount	\$6,000	\$5,500	\$5,500
IRA catch-up contribution limit*	1,000	1,000	1,000
Modified AGI threshold for determining deductible IRA contributions for active participants in qualified plans			
Married filing jointly or qualifying widow(er)	103,000	101,000	99,000
Married filing separately*	0	0	0
Single or head of household	64,000	63,000	62,000
Spouse (but not taxpayer making IRA contribution) is active participant	193,000	189,000	186,000
<b>Roth IRA contribution limits (IRC § 408A(c)(3)(C)(ii))</b>			
AGI for determining maximum Roth IRA contribution			
Married filing jointly or qualifying widow(er)	193,000	189,000	186,000
Married filing separately*	0	0	0
Other filing status	122,000	120,000	118,000
* Limit is not adjusted for cost-of-living changes.			

## HEALTH AND FRINGE BENEFIT LIMITS

Typically every autumn, IRS updates the annual Code limits for certain health and fringe benefits, including parking and transit benefits, health flexible spending arrangements (FSAs), Archer medical savings accounts (MSAs), adoption assistance programs, and long-term care (LTC) plans. COLAs for [health savings accounts \(HSAs\)](#) and [high-deductible health plans \(HDHPs\)](#) are usually announced earlier in the year. Annually adjusted limits also apply to certain cost-sharing features of [nongrandfathered group health plans](#), [shared-responsibility assessments](#) and individual eligibility for [premium tax credits](#) under the ACA.

### Commuter, Health FSA, Archer MSA, Adoption and LTC Limits

IRS [Rev. Proc. 2018-57](#) provides the 2019 limits for health FSAs, Archer MSAs, qualified transportation benefits, adoption assistance benefits and qualified LTC plans. The qualified LTC premium and per diem limits reflect the increase in the medical care component of the chained CPI for the 12 months ending Aug. 31, 2018, while the others reflect the increase in the average chained CPI for the same period. After applying the Code's rounding rules, all limits have increased from 2018 except the qualified LTC premium limit for age 40 and younger.

COMMUTER, HEALTH FSA, ARCHER MSA, ADOPTION AND LTC LIMITS	2019	2018	2017
<b>Qualified transportation fringe benefits (IRC § 132(f))</b>			
Monthly parking, transit passes or commuter highway vehicle transportation	\$265	\$260	\$255
<b>Health FSA limit (IRC § 125(i))</b>			
Maximum salary reduction contribution	2,700	2,650	2,600
<b>Archer MSA limits (IRC § 220(c)(2))</b>			
Self-only coverage			
Minimum annual deductible	2,350	2,300	2,250
Maximum annual deductible	3,500	3,450	3,350
Maximum out-of-pocket limit	4,650	4,550	4,500
Family coverage			
Minimum annual deductible	4,650	4,550	4,500
Maximum annual deductible	7,000	6,850	6,750
Maximum out-of-pocket limit	8,550	8,400	8,250

<b>COMMUTER, HEALTH FSA, ARCHER MSA, ADOPTION AND LTC LIMITS</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Qualified adoption assistance benefits (IRC § 137)</b>			
Exclusion for child with special needs (regardless of expenses incurred)	\$14,080	\$13,810	\$13,570
Aggregate dollar limit for all tax years (child without special needs)	14,080	13,810	13,570
Phaseout begins at modified AGI of	211,160	207,140	203,540
Phaseout completed at modified AGI of	251,160	247,140	243,540
<b>Qualified LTC plan limits (IRC § 213(d) and 7702B(d)(4))</b>			
Premium limits at age			
40 or younger	420	420	410
41–50	790	780	770
51–60	1,580	1,560	1,530
61–70	4,220	4,160	4,090
Older than 70	5,270	5,200	5,110
Per diem limit	370	360	360

### **HSA and HDHP Limits**

On May 10, IRS announced 2019 inflation-adjusted amounts for HSA contributions, HDHP deductibles and maximum HDHP out-of-pocket costs ([Rev. Proc. 2018-30](#)). The 2019 COLAs reflect the switch to chained CPI for annual HSA and HDHP adjustments effective in 2018.

In 2019, the tax-deductible HSA contribution limit and the HDHP out-of-pocket maximums increase for both self-only and family coverage levels, while the HDHP minimum annual deductibles are unchanged from 2018 levels. The 2018 HDHP out-of-pocket maximums are lower than the corresponding [ACA limits for nongrandfathered group health plans](#). Since 2009, the HSA catch-up contribution limit for individuals ages 55 and older doesn't undergo annual adjustment. The next table shows the IRS limits for 2017–2019.

<b>HSA AND HDHP LIMITS (IRC § 223)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Self-only coverage			
Maximum tax-deductible HSA contribution	\$3,500	\$3,450	\$3,400
HDHP minimum annual deductible	1,350	1,350	1,300
HDHP out-of-pocket maximum	6,750	6,650	6,550
Family coverage			
Maximum tax-deductible HSA contribution	7,000	6,900	6,750
HDHP minimum annual deductible	2,700	2,700	2,600
HDHP out-of-pocket maximum	13,500	13,300	13,100
HSA catch-up contribution limit at age 55 or older	1,000	1,000	1,000

#### **ACA Nongrandfathered Group Health Plan Out-of-Pocket Maximum**

The ACA limits annual out-of-pocket costs for essential health benefits under nongrandfathered group health plans (unless they provide only excepted benefits, such as limited-scope dental or vision coverage). Annual adjustments to these ACA limits after 2014 reflect increases in the US average per-person health insurance premium since 2013 and differ from the CPI-based adjustments to HDHP maximums.

Beginning in 2016, nongrandfathered group health plans — including large-group and self-funded ones — with an annual out-of-pocket limit for family coverage exceeding the permitted self-only limit must “embed” individual out-of-pocket limits at or below the ACA limit for self-only coverage.

The table below shows the 2017–2019 out-of-pocket limits on essential health benefits published in the annually updated HHS [Notice of Benefit and Payment Parameters](#). The maximums apply on a plan-year basis, so the 2019 limit will apply on the first day of the plan year starting in 2019.

<b>ACA NONGRANDFATHERED GROUP HEALTH PLAN OUT-OF-POCKET LIMITS</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Self-only coverage	\$7,900	\$7,350	\$7,150
Family coverage			
Total out-of-pocket limit	15,800	14,700	14,300
Embedded individual out-of-pocket limit (if applicable)	7,900	7,350	7,150

### ACA Shared-Responsibility Assessments

Under the ACA's shared-responsibility requirement, employers must offer most full-time employees health coverage or risk paying one of two IRS assessments. One potential assessment under Section 4980H(a) applies to employers that don't offer coverage to nearly all (95%) full-time employees and their dependents. The other assessment under Section 4980H(b) applies to employers sponsoring coverage that either (i) isn't offered to some full-time employees or (ii) is offered but doesn't meet ACA's affordability or minimum-value standards. While the 4980H(a) assessment is calculated based on an employer's total number of full-time employees, the 4980H(b) assessment applies per full-time employee who receives subsidized coverage from a public exchange. An IRS FAQ ([Q&A-55](#)) provides adjusted dollar amounts used to calculate employer play-or-pay assessments.

Through 2018, individual taxpayers likewise faced a shared-responsibility assessment for any month in which they didn't have minimum essential coverage. The assessment was the greater of a flat dollar amount or a percentage of income, calculated on a monthly basis and subject to a cap. The Tax Cuts and Jobs Act of 2017 reduced the individual shared-responsibility assessment to zero beginning in 2019.

The table below shows the annual employer and individual shared-responsibility assessments for 2017, 2018 and 2019, though the assessments are incurred on a monthly basis.

ACA SHARED-RESPONSIBILITY ASSESSMENTS	2019	2018	2017
<b>Employer play-or-pay assessments (IRC § 4980H)</b>			
Not offering coverage (4980H(a))	\$2,500	\$2,320	\$2,260
Offering coverage lacking minimum value or affordability (4980H(b))	3,750	3,480	3,390
<b>Individual penalty for not maintaining minimum essential coverage (IRC § 5000A(c))<sup>†</sup></b>			
Applicable flat dollar amount	N/A	695	695
Applicable percentage of household income	N/A	2.5%	2.5%
<sup>†</sup> Taxpayers' individual assessments are subject to various additional and, in some cases, alternative factors that are not annually adjusted. Individual assessments are reduced to zero starting in 2019.			

### ACA Premium Tax Credit Eligibility

Employers that don't offer affordable, minimum-value health coverage for employees and their children risk play-or-pay assessments if any employee receives a premium tax credit or cost-sharing subsidy for public exchange coverage. Affordability depends on how much an employee must pay as a percentage of household income for self-only coverage under the least expensive employer option with minimum value. Initially set at 9.5% of household income for 2014, this limit is annually indexed to reflect growth in premiums relative to incomes over the past year. Starting in 2018, the limit has an additional adjustment for premium growth in excess of CPI growth.

The 2019 affordability limit is 9.86%, up from 9.56% in 2018 ([Rev. Proc. 2018-34](#)). The next table shows the 2017–2019 limits, which determine an employee’s premium tax credit eligibility. The same limit applies to employees’ spouses and dependents, even though the affordability is tied to employee-only rates.

ACA PREMIUM TAX CREDIT ELIGIBILITY	2019	2018	2017
Maximum percentage of household income for least expensive self-only coverage with minimum value offered by employer	9.86%	9.56%	9.69%

While failure to offer affordable coverage creates the risk of play-or-pay assessments, most employers don’t know their employees’ household incomes. As a result, a safe harbor definition of affordability for employer shared-responsibility assessment purposes limits the employee cost for self-only, minimum-value coverage from an employer to 9.5% (in 2014) of one of three monthly amounts: W-2 wages, rate of pay or the federal poverty level’s single-income threshold. This percentage is indexed using the same ACA formula as the household income percentage ([Notice 2015-87, Q&A-12](#)).

**MEDICARE PREMIUMS, COINSURANCE, DEDUCTIBLES AND RX SUBSIDY**

On Oct. 12, CMS [released](#) the 2019 beneficiary premiums, deductibles and other cost-sharing amounts for Medicare Parts A and B. [Part A](#) monthly premiums will increase approximately 3.6% (3.4% for individuals with fewer than 30 quarters of coverage), while annual deductible and coinsurance amounts will increase approximately 1.8%. The 2018 [Part B](#) annual deductible, standard monthly premium and income-adjusted monthly premiums paid by many individuals will rise. The 2018 [Part D](#) standard monthly premium and income-based premium adjustments drop, while Part D cost-sharing rises slightly.

**Part A — Hospital Insurance**

Medicare Part A beneficiaries are subject to a deductible for inpatient hospital stays. If hospitalized more than 60 days, beneficiaries also must pay daily coinsurance, which varies by the length of the stay. Beneficiaries who receive services in a skilled nursing facility are subject to separate daily coinsurance.

Although most individuals qualify for premium-free Part A coverage, those who don’t have enough quarters of Medicare [covered employment](#) must pay monthly premiums. The Part A premium depends on how many covered quarters a beneficiary has and whether Medicare enrollment is due to age (such as seniors age 65 and older) or disability. The table below shows the Part A deductibles, coinsurance amounts and premiums for 2017–2019. (For more detail on how these amounts are calculated, see the CMS notices on the [Part A premium](#) and [Part A deductible and coinsurance](#).)

PART A — HOSPITAL INSURANCE	2019	2018	2017
Hospital inpatient deductible	\$1,364.00	\$1,340.00	\$1,316.00
Hospital daily coinsurance			
Days 61–90	341.00	335.00	329.00
Lifetime reserve days	682.00	670.00	658.00



**SUMMARY OF 2019 BENEFIT-RELATED COST-OF-LIVING ADJUSTMENTS**

<b>PART A — HOSPITAL INSURANCE</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Skilled nursing facility daily coinsurance	\$170.50	\$167.50	\$164.50
Monthly premium			
Seniors and certain people with disabilities under age 65 with fewer than 30 quarters of coverage	437.00	422.00	413.00
Seniors with 30–39 quarters of coverage and certain people with disabilities who have at least 30 quarters of coverage	240.00	232.00	227.00

**Part B — Medical Insurance**

Medicare beneficiaries with Part B coverage pay monthly premiums and an annual deductible. People in higher-income brackets pay higher premiums on a graduated scale that increases with annual income. The standard monthly Part B premium will rise to \$135.50 in 2019 from \$134 in 2018.

Some high-income enrollees will see a jump in their 2019 premiums because the income thresholds for certain income-based surcharges are changing. The table below lists the Part B deductibles and monthly premiums for 2017–2019, including the income-adjusted premiums for higher-income beneficiaries. For details on how these amounts are calculated, see the CMS notice on [Part B premiums and deductibles](#).

<b>PART B — MEDICAL INSURANCE</b>		<b>2019</b>	<b>2018</b>	<b>2017</b>
Annual deductible		\$185.00	\$183.00	\$183.00
Monthly premium for modified AGI of				
<u>Single</u>	<u>Married filing jointly</u>			
\$0 – \$85,000*	\$0 – \$170,000*	135.50	134.00	134.00
85,001 – 107,000	170,001 – 214,000	189.60	187.50	187.50
107,001 – 133,500	214,001 – 267,000	270.90	267.90	267.90
133,501 – 160,000	267,001 – 320,000	352.20	348.30	267.90
160,001 – 214,000	320,001 – 428,000	433.40	428.60	348.30
214,001 – 500,000	428,001 – 750,000	433.40	428.60	428.60
500,001 or more	750,001 or more	460.50	428.60	428.60
	<u>Married filing separately</u>			
	\$0 – \$85,000	135.50	134.00	134.00
	85,001 – 129,000	433.40	428.60	348.30
	129,001 – 415,000	433.40	428.60	428.60
	415,001 or more	460.50	428.60	428.60
* Income bracket for most beneficiaries.				

### Part D — Outpatient Prescription Drug Coverage

Medicare Part D’s outpatient prescription drug coverage requires enrollees to pay premiums, deductibles and copayments, which are indexed each year to reflect changes in Medicare beneficiaries’ average total drug expenses. Annual indexing also applies to the retiree drug subsidy (RDS), which reimburses a portion of retiree drug plan sponsors’ expenses for individuals who are eligible for but not enrolled in a Part D plan. Rather than continue in the RDS program, many employers have turned to employer group waiver plans (EGWPs) for greater cost savings due to ACA provisions.

As required by the ACA, the Part D program charges higher premiums to higher-income enrollees. The usual monthly premium is paid to the plan; the added amount (or “adjustment”) for higher-income beneficiaries is deducted from an enrollee’s Social Security benefits and paid to Medicare. The next table summarizes 2017–2019 Part D [benefit parameters](#), [RDS benefits](#) and the monthly Part D [premium adjustments](#) for different annual income tiers.

<b>PART D BENEFITS AND RDS AMOUNTS</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Standard Part D benefit</b>			
Deductible	\$415.00	\$405.00	\$400.00
Initial coverage limit	3,820.00	3,750.00	3,700.00
Out-of-pocket threshold	5,100.00	5,000.00	4,950.00
Total covered Part D drug out-of-pocket threshold: out-of-pocket threshold + 75% (initial coverage limit – deductible)	7,653.75	7,508.75	7,425.00
Minimum cost-sharing for catastrophic coverage			
Generic/preferred	3.40	3.35	3.30
Other	8.50	8.35	8.25
<b>Retiree drug subsidy (RDS)</b>			
Cost threshold (Part D deductible)	415.00	405.00	400.00
Cost limit	8,500.00	8,350.00	8,250.00
Maximum subsidy per retiree: 28% × (cost limit – cost threshold)	2,263.80	2,224.60	2,198.00

PART D BENEFITS AND RDS AMOUNTS		2019	2018	2017
<b>Monthly Part D premium</b>				
Base beneficiary premiums (national average Part D premium)		\$33.19	\$35.02	\$35.63
Monthly premium for modified AGI of				
<u>Single</u>		<u>Married filing jointly</u>		
\$0 – \$85,000*	\$0 – \$170,000*	0.00	0.00	0.00
85,001 – 107,000	170,001 – 214,000	12.40	13.00	13.30
107,001 – 133,500	214,001 – 267,000	31.90	33.60	34.20
133,501 – 160,000	267,001 – 320,000	51.40	54.20	34.20
160,001 – 214,000	320,001 – 428,000	70.90	74.80	55.20
214,001 – 500,000	428,001 – 750,000	70.90	74.80	76.20
500,001 or more	750,001 or more	77.40	74.80	76.20
		<u>Married filing separately</u>		
		\$0 – \$85,000	0.00	0.00
		85,001 – 129,000	70.90	74.80
		129,001 – 415,000	70.90	74.80
		415,001 or more	77.40	74.80

\* Income bracket for most beneficiaries.

### SOCIAL SECURITY AND SSI AMOUNTS

On Oct. 11, 2018, the SSA [announced](#) that 2019 benefits will receive a 2.8% cost-of-living increase, reflecting the change in the third-quarter CPI for Urban Wage Earners and Clerical Workers (CPI-W) from 2017 to 2018. Other 2019 Social Security amounts are tied to the 3.5% increase in [average annual wages](#) from 2016 to 2017. The next table shows key Social Security values for 2017–2019 from SSA’s 2019 [fact sheet](#) and [automatic determinations](#) webpage.

SOCIAL SECURITY AND SSI VALUES	2019	2018	2017
Cost-of-living increase	2.8%	2.0%	0.3%
Average annual wage (second preceding year)	\$50,321.89	\$48,642.15	\$48,098.63
OASDI contribution and benefit base (wage base)	132,900	128,400	127,200
“Old law” contribution and benefit base	98,700	95,400	94,500

<b>SOCIAL SECURITY AND SSI VALUES</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Retirement earnings test exempt amount (annual)			
Under full retirement age (full year)	\$17,640	\$17,040	\$16,920
Year individual attains full retirement age (period before attaining full retirement age)	46,920	45,360	44,880
Wages needed for a quarter of coverage	1,360	1,320	1,300
Disability thresholds (monthly amounts)			
Substantial gainful activity — not blind	1,220	1,180	1,170
Substantial gainful activity — blind	2,040	1,970	1,950
Trial work period	880	850	840
Coverage thresholds for			
Domestic employees	2,100	2,100	2,000
Election workers	1,800	1,800	1,800
Bend-points — PIA formula applied to average indexed monthly earnings (AIME)			
90% of AIME up to	926	895	885
32% of AIME over first bend-point up to	5,583	5,397	5,336
15% of AIME over second bend-point			
Bend-points — maximum family benefit formula applied to worker's PIA			
150% of PIA up to	1,184	1,144	1,131
272% of PIA over first bend-point up to	1,708	1,651	1,633
134% of PIA over second bend-point up to	2,228	2,154	2,130
175% of PIA over third bend-point			
SSI federal payment standard (monthly amounts)			
Individual	771	750	735
Couple	1,157	1,125	1,103

SOCIAL SECURITY AND SSI VALUES	2019	2018	2017
SSI student exclusion limits			
Monthly limit	\$1,870	\$1,820	\$1,790
Annual limit	7,550	7,350	7,200

## RELATED RESOURCES

- [Rev. Rul. 2019-06](#), Covered Compensation for the 2019 Plan Year (IRS, March 13, 2019)
- [CC RI 18-21](#) (Puerto Rico Treasury, Dec. 31, 2018)
- [Act 257-2018](#) (Puerto Rico Office of Legislative Services, Dec. 10, 2018)
- [Rev. Proc. 2018-57](#) (IRS, Nov. 16, 2018)
- [Notice 2018-83](#), 2019 Contribution and Benefit Limits for Qualified Retirement Plans (IRS, Nov. 1, 2018)
- [Present Value of PBGC Maximum Guarantee Tables](#) and [Spreadsheet](#) (PBGC, Oct. 30, 2018)
- [PBGC Guarantee Limit for Single-Employer Plans Increases for 2019](#) (PBGC, Oct. 22, 2018)
- [Medicare Part B Monthly Actuarial Rates, Premium Rates and Annual Deductible for 2019](#) (Federal Register, Oct. 17, 2018)
- [Medicare Part A Premiums for 2019](#) (Federal Register, Oct. 17, 2018)
- [2019 Medicare Part A Deductible and Hospital and Extended Care Services Coinsurance Amounts for 2019](#) (Federal Register, Oct. 17, 2018)
- [Premium Rates](#) (PBGC, Oct. 12, 2018)
- [Social Security Announces 2.8 Percent Benefit Increase for 2019](#) (SSA, Oct. 11, 2018)
- [Fact Sheet: 2019 Social Security Changes](#) (SSA, Oct. 11, 2018)
- [Covered Employment for Social Security Credits](#) (SSA)
- [National Average Wage Index](#) (SSA)
- [Social Security Amounts Determined by Automatic Adjustment, 2009-2019](#) (SSA)

- [Q&As on ACA Employer Shared-Responsibility Provisions](#) (IRS, Aug. 20, 2018)
- [Part D Premium Adjustments](#) (CMS, July 31, 2018)
- [Rev. Proc. 2018-34](#) (IRS, May 21, 2018)
- [Rev. Proc. 2018-30](#) (IRS, May 10, 2018)
- [Retiree Drug Subsidy Cost Threshold And Cost Limit By Plan Year](#) (CMS, May 8, 2018)
- [HHS Notice of Benefit and Payment Parameters for 2019](#) (Federal Register, April 17, 2018)
- [Calendar-Year 2019 Part D Payment Policies](#) (CMS, April 2, 2018)
- [Act 106-2017](#) (Puerto Rico Office of Legislative Services, Aug. 23, 2017)
- [Notice 2015-87](#) (IRS, Dec. 16, 2015)

*Note: Mercer is not engaged in the practice of law, accounting or medicine. Any commentary in this article does not constitute and is not a substitute for legal, tax or medical advice. Readers of this article should consult a legal, tax or medical expert for advice on those matters.*