



# Summary of 2023 benefit-related cost-of-living adjustments

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The IRS, Pension Benefit Guaranty Corp. (PBGC), Social Security Administration (SSA), and Centers for Medicare & Medicaid Services (CMS) have issued 2023 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 2023 COLAs for benefit plans issued in the fall of 2022, as well as these recently published items: the 2023 limits for retirement plans qualified in Puerto Rico and the 2023 play-or-pay monthly contribution limit for noncalendar-year health plans using an affordability safe harbor based on the federal poverty level (FPL) guidelines.

## Retirement plan limits

Employer-sponsored retirement plans may be affected by annual changes to [US](#) and [Puerto Rico \(PR\)](#) 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 2022-55](#) provides 2023 limits for qualified retirement plans, including defined benefit (DB), defined contribution (DC) and simplified employee pension (SEP) plans, along with employee stock ownership plans (ESOPs) and savings incentive match plans for small employers (SIMPLE plans). Every key limit has risen significantly, reflecting the unprecedented 8.33% increase in the third-quarter Consumer Price Index for All Urban Consumers (CPI-U) from 2021 to 2022, the highest level of inflation ever applied to these limits. Coming on the heels of last year's unusually large increase, this year's increase means the unrounded limits have risen by more than 14% over the two-year period. (The

rounding rules in the Internal Revenue Code (IRC) mean that actual limits have increased by different amounts.) The following table shows the qualified retirement plan limits for 2021, 2022 and 2023 reflecting the IRC rounding rules, along with unrounded 2023 values — calculated by Mercer — to facilitate projections.

IRC retirement plan limit	2023 (not rounded)	2023	2022	2021
Treas. Reg. § 1.401(a)(9)-6 limit on premiums paid for a qualified longevity annuity contract	\$158,425	\$155,000	\$145,000	\$135,000
401(k), 403(b) and eligible 457 plan elective deferrals (and designated Roth contributions)	22,586	22,500	20,500	19,500
414(v)(2)(B)(i) catch-up contributions to plans other than SIMPLE plans	7,529	7,500	6,500	6,500
408(p)(2)(E) SIMPLE plan elective deferrals	15,634	15,500	14,000	13,500
414(v)(2)(B)(ii) SIMPLE plan catch-up contributions	3,764	3,500	3,000	3,000
408(k)(2)(C) SEP plan minimum compensation	750	750	650	650
415(b) DB plan maximum annuity	266,800	265,000	245,000	230,000
415(c) DC plan maximum annual addition	66,700	66,000	61,000	58,000
401(a)(17) and 408(k)(3)(C) compensation	333,500	330,000	305,000	290,000
401(a)(17) compensation for eligible participants in certain governmental plans in effect July 1, 1993	492,660	490,000	450,000	430,000
414(q)(1)(B) highly compensated employee (HCE) and 414(q)(1)(C) top-paid group	150,688	150,000	135,000	130,000
416(i)(1)(A)(i) officer compensation for top-heavy plan key employee definition	216,775	215,000	200,000	185,000
Treas. Reg. § 1.61-21(f)(5) control employee for fringe benefit valuations				
Officer compensation	134,205	130,000	120,000	115,000
Employee compensation	268,410	265,000	245,000	235,000
409(o)(1)(C) tax-credit ESOP limits for lengthening the distribution period				
Five-year maximum balance	1,334,000	1,330,000	1,230,000	1,165,000
One-year extension	266,800	265,000	245,000	230,000

IRC retirement plan limit	2023 (not rounded)	2023	2022	2021
432(e)(9)(H)(v) systemically important multiemployer plan (billions)	\$1.256 B	\$1.256 B	\$1.220 B	\$1.176 B
664(g)(7) qualified gratuitous transfer of employer securities to an ESOP	61,005	60,000	55,000	50,000

## Puerto Rico qualified retirement plan limits

[Carta Circular de Rentas Internas 23-01](#) announced 2023 limits for PR-only plans and dual-qualified plans. The PR tax code aligns its annual limits for compensation, contributions and benefits with the US qualified plan limits, but 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 table below 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	2023	2022	2021
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	22,500 <sup>†</sup>	20,500 <sup>†</sup>	19,500 <sup>†</sup>
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	330,000	305,000	290,000
1081.01(a)(11)(A)(i) DB maximum annuity	265,000	245,000	230,000
1081.01(a)(11)(B)(i) DC maximum annual addition	66,000 <sup>§</sup>	61,000 <sup>§</sup>	58,000 <sup>§</sup>
1081.01(d)(3)(E)(iii)(IV) HCE threshold	150,000	135,000	130,000

\* Limit is set by statute and is not indexed for inflation.

<sup>†</sup> Participants age 75 or older may be subject to a \$15,000 limit because their IRA limit is zero.

<sup>§</sup> The 1081.01(a)(15) cumulative cap on after-tax contributions is 10% of aggregate pay while participating.

## 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.

[Rev. Rul. 2022-24](#) contains the 2023 covered compensation tables, which reflect the increase in the taxable wage base to \$160,000 for 2023 from \$147,000 for 2022. 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
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

Year born	Social Security full retirement		Covered compensation	
	Age	Year	Not rounded	Rounded
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
1951	66	2017	77,880	78,000
1952	66	2018	80,532	81,000
1953	66	2019	83,244	84,000
1954	66	2020	86,052	87,000
1955	66 & 2 months	2022	91,884	93,000

This table shows the 2023 amounts for individuals below Social Security full retirement age, along with 2022 amounts.

Year born	Social Security full retirement		Covered compensation			
	Age	Year	Not rounded		Rounded	
			2023	2022	2023	2022
1956	66 & 4 months	2023	\$95,172	\$94,800	\$96,000	\$96,000
1957	66 & 6 months	2024	98,376	97,620	99,000	99,000
1958	66 & 8 months	2025	101,484	100,356	102,000	99,000
1959	66 & 10 months	2026	104,544	103,032	105,000	102,000

Year born	Social Security full retirement		Covered compensation			
	Age	Year	Not rounded		Rounded	
			2023	2022	2023	2022
1960	67	2027	\$107,532	\$105,648	\$108,000	\$105,000
1961	67	2028	110,460	108,204	111,000	108,000
1962	67	2029	113,304	110,664	114,000	111,000
1963	67	2030	116,136	113,124	117,000	114,000
1964	67	2031	118,920	115,524	120,000	117,000
1965	67	2032	121,632	117,864	123,000	117,000
1966	67	2033	124,260	120,108	123,000	120,000
1967	67	2034	126,756	122,232	126,000	123,000
1968	67	2035	129,156	124,260	129,000	123,000
1969	67	2036	131,436	126,156	132,000	126,000
1970	67	2037	133,584	127,932	135,000	129,000
1971	67	2038	135,684	129,648	135,000	129,000
1972	67	2039	137,748	131,340	138,000	132,000
1973	67	2040	139,752	132,960	141,000	132,000
1974	67	2041	141,636	134,472	141,000	135,000
1975	67	2042	143,424	135,888	144,000	135,000
1976	67	2043	145,092	137,172	144,000	138,000
1977	67	2044	146,616	138,324	147,000	138,000
1978	67	2045	148,140	139,464	147,000	138,000
1979	67	2046	149,664	140,616	150,000	141,000
1980	67	2047	151,104	141,672	150,000	141,000
1981	67	2048	152,424	142,620	153,000	144,000
1982	67	2049	153,660	143,484	153,000	144,000
1983	67	2050	154,860	144,300	156,000	144,000
1984	67	2051	156,048	145,104	156,000	144,000
1985	67	2052	156,984	145,680	156,000	147,000
1986	67	2053	157,896	146,208	159,000	147,000
1987	67	2054	158,676	146,604	159,000	147,000

Year born	Social Security full retirement		Covered compensation			
	Age	Year	Not rounded		Rounded	
			2023	2022	2023	2022
1988	67	2055	\$159,324	\$146,880	\$159,000	T147,000
1989	67	2056	159,816	147,000	160,200	147,000
1990	67	2057+	160,200	147,000	160,200	147,000

## PBGC premiums, guaranteed benefits and maximum present value

PBGC has [announced](#) inflation-adjusted premium rates and the variable-rate premium cap. Since 2020, all premium amounts — including the per-participant variable-rate premium cap — are indexed annually for wage inflation.

PBGC also has [announced](#) that the maximum guaranteed benefit at age 65 for terminating plans has risen to \$81,000 in 2023 from \$74,455 in 2022. 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 plan assets, and participants may receive more if the plan is better funded or PBGC can recover other amounts from the plan sponsor.

PBGC amount	2023	2022	2021
Flat-rate premium — single-employer plans	\$96	\$88	\$86
Flat-rate premium — multiemployer plans	35	32	31
Variable-rate premium per \$1,000 of unfunded vested benefits	52	48	46
Per-participant variable-rate premium cap	652	598	582
Annual maximum guaranteed benefit (payable as a single-life annuity starting at age 65)	81,000	74,455	72,409

PBGC has [published](#) the 2023 present value of the maximum guarantee table. These values are used to administer IRC Section 436 restrictions on lump sums and other accelerated payments from underfunded plans. The present values have decreased significantly from 2022 levels, mainly because the increase in the maximum guaranteed benefit was worth less than the decrease resulting from using the August 2022 417(e) lump sum segment rates (3.79%, 4.62% and 4.69% for 2023 present values vs. the August 2021 rates of 0.66%, 2.50% and 3.12% used to determine the 2022 present values).

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 2023 table for annuity starting dates in 2023, regardless of the plan year.

The next table shows the present values for 2023 and the two prior years. [Tables](#) of present values for every year back to 2008 are available on the PBGC website, along with downloadable Excel tables.

Present value of PBGC maximum guarantee				Present value of PBGC maximum guarantee			
Age	2023*	2022†	2021‡	Age	2023*	2022†	2021‡
25	\$165,072	\$310,890	\$312,953	56	\$677,502	\$863,380	\$861,626
26	172,703	320,653	322,514	57	710,900	893,271	891,196
27	180,244	330,723	332,367	58	746,152	924,061	921,538
28	187,691	341,112	342,523	59	783,405	955,827	952,725
29	195,038	351,830	352,993	60	822,825	988,660	984,837
30	202,279	362,888	363,787	61	866,940	1,028,142	1,022,944
31	210,563	374,300	374,917	62	913,219	1,067,809	1,061,192
32	220,494	386,077	386,394	63	961,863	1,107,766	1,099,682
33	230,897	398,233	398,232	64	1,016,066	1,148,162	1,138,552
34	241,796	410,779	410,441	65	1,067,191	1,189,022	1,177,804
35	253,214	423,729	423,033	66	1,145,430	1,270,985	1,259,089
36	265,176	437,095	436,020	67	1,228,031	1,356,977	1,344,382
37	277,708	450,889	449,412	68	1,323,796	1,456,589	1,443,188
38	290,838	465,126	463,224	69	1,430,856	1,567,577	1,553,281
39	304,594	479,822	477,469	70	1,547,320	1,687,681	1,672,416
40	319,006	494,990	492,162	71	1,748,897	1,898,943	1,881,892
41	334,108	510,650	507,320	72	1,933,403	2,089,626	2,070,996
42	349,934	526,816	522,957	73	2,100,536	2,259,633	2,239,596
43	366,518	543,510	539,093	74	2,250,042	2,408,927	2,387,670
44	383,902	560,750	555,748	75	2,381,794	2,537,641	2,515,318
45	402,126	578,561	572,942	76	2,796,801	2,965,213	2,939,144
46	421,648	601,805	597,048	77	3,169,228	3,343,502	3,314,077
47	442,098	625,517	621,531	78	3,499,194	3,673,339	3,640,928
48	463,524	649,714	646,402	79	3,787,100	3,955,911	3,920,868
49	485,980	674,411	671,676	80	4,033,671	4,192,727	4,155,461



Age	Present value of PBGC maximum guarantee			Age	Present value of PBGC maximum guarantee		
	2023*	2022†	2021‡		2023*	2022†	2021‡
50	509,522	699,628	697,369	81	5,047,823	5,221,335	5,174,996
51	534,212	725,389	723,498	82	5,939,083	6,113,857	6,059,695
52	560,111	751,707	750,075	83	6,712,384	6,877,479	6,816,572
53	587,298	778,622	777,134	84	7,370,266	7,517,070	7,450,520
54	615,854	806,166	804,708	85	7,920,664	8,042,600	7,971,207
55	645,873	834,382	832,835				

\* Present value determined using August 2022 lump sum segment rates of 3.79%, 4.62% and 4.69%.

† Present value determined using August 2021 lump sum segment rates of 0.66%, 2.50% and 3.12%.

‡ Present value determined using August 2020 lump sum segment rates of 0.52%, 2.22% and 3.03%.

## Saver's credit

Notice 2022-55 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 at which employee contributions to a qualified retirement plan or an IRA qualify for the saver’s credit rose significantly due to the 7.1% increase in the average chained CPI for the 12 months ending Aug. 31, 2022.

Saver's credit AGI limits (IRC § 25B)	2023	2022	2021
<b>50% saver's credit if AGI is no more than specified amount</b>			
Married filing jointly	\$43,500	\$41,000	\$39,500
Head of household	32,625	30,750	29,625
Other filing status	21,750	20,500	19,750
<b>20% saver's credit if AGI exceeds limit for 50% credit but is no more than specified amount</b>			
Married filing jointly	47,000	44,000	43,000
Head of household	35,625	33,000	32,250
Other filing status	23,750	22,000	21,500
<b>10% saver's credit if AGI exceeds limit for 20% credit but is no more than specified amount</b>			
Married filing jointly	73,000	68,000	66,000
Head of household	54,750	51,000	49,500
Other filing status	36,500	34,000	33,000

## Traditional and Roth IRA limits

The unprecedented 7.1% increase in the average chained CPI-U for the 12 months ending Aug. 31, 2022, on the heels of last year's unusually large 3.1% increase, has increased all indexed traditional and Roth IRA limits for 2023. The catch-up contribution limit isn't annually adjusted. The AGI thresholds for spouses filing separately are set to \$0. The next table summarizes the 2023 IRA limits announced by IRS, along with the limits for the previous two years.

Traditional and Roth IRA limits	2023	2022	2021
<b>Traditional IRA deduction limits (IRC §§ 219(b)(5) and 219(g)(3)(B))</b>			
IRA maximum deductible amount	\$6,500	\$6,000	\$6,000
IRA catch-up contribution limit*	1,000	1,000	1,000
<b>Modified AGI threshold for determining deductible IRA contributions for active participants in qualified plans</b>			
Married filing jointly or qualifying widow(er)	116,000	109,000	105,000
Married filing separately*	0	0	0
Single or head of household	73,000	68,000	66,000
Spouse (but not taxpayer making IRA contribution) is active participant	218,000	204,000	198,000
<b>Roth IRA contribution limits (IRC § 408A(c)(3)(C)(ii))</b>			
<b>AGI for determining maximum Roth IRA contribution</b>			
Married filing jointly or qualifying widow(er)	218,000	204,000	198,000
Married filing separately*	0	0	0
Other filing status	138,000	129,000	125,000

\* Limit is not adjusted for cost-of-living changes.

## Health and fringe benefit limits

Every fall, IRS updates the annual Code limits for certain health and fringe benefits, including health flexible spending arrangements (FSAs), qualified small-employer health reimbursement arrangements (QSEHRAs), qualified long-term care (LTC) policies and qualified transportation fringe benefits and adoption assistance programs. COLAs for health savings accounts (HSAs), high-deductible health plans (HDHPs) and excepted-benefit HRAs are announced earlier in the year. Annually adjusted limits also apply to certain Affordable Care Act (ACA) cost-sharing features of nongrandfathered group health plans, employer shared-responsibility (play-or-pay) assessments and individual eligibility for premium tax credits (PTCs).

## Health FSA, excepted-benefit HRA, QSEHRA and LTC limits

IRS [Rev. Proc. 2022-38](#) gives the 2023 contribution and benefit limits for health FSAs, QSEHRAs and qualified LTC policies. The limits reflect the 7.1% increase in the average chained CPI-U for the 12 months ending Aug. 31, 2022, except for the qualified LTC premium and per diem limits, which reflect the 5.6% adjustment in only the medical care component. After applying the Code's rounding rules, all limits have increased significantly from 2022.

IRS [Rev. Proc. 2022-24](#) gives the 2023 maximum employer contribution for excepted-benefit HRAs. That limit reflects the 6.2% increase in the average chained CPI-U for the 12 months ending March 31, 2022. After applying the Code's rounding rules, the limit has increased by more than 8% from 2022 to 2023.

This table shows the 2023 adjusted amounts for health FSAs, excepted-benefit HRAs, QSEHRAs and qualified LTC policies, along with the limits for 2022 and 2021. The health FSA carryover limits shown reflect the maximum unused funds that can carry over to the next plan year.

Health FSA, excepted-benefit HRA, QSEHRA and LTC limits	2023	2022	2021
<b>Health FSA limit (IRC § 125(i))</b>			
Maximum salary reduction contribution	\$3,050	\$2,850	\$2,750
Maximum carryover	610	570	Unlimited*
<b>Excepted-benefit HRA limit (26 CFR § 54.9831-1(c)(3)(viii)(B)(1))</b>			
Maximum employer contribution	1,950	1,800	1,800
<b>QSEHRA limit (IRC § 9831(d))</b>			
Maximum annual benefit			
Self-only coverage	5,850	5,450	5,300
Family coverage	11,800	11,050	10,700
<b>Qualified LTC policy limits (IRC § 213(d)(10) and 7702B(d)(4))</b>			
Premium limits at age:			
40 or younger	480	450	450
41-50	890	850	850
51-60	1,790	1,690	1,690
61-70	4,770	4,510	4,520
Older than 70	5,960	5,640	5,640
Per diem limit	420	390	400

\* The 2021 Consolidated Appropriations Act permitted unlimited carryovers of health FSA balances into the next plan year for plan years ending in 2021 (and 2020). The indexed carryover amount for those years was \$550. Any health FSA balances remaining on the last day of the plan years ending in 2022 or 2023 is subject to the indexed \$570 or \$610 carryover limit, respectively.

## Qualified transportation fringe benefits and adoption assistance programs

The next table shows the 2023 adjusted figures for qualified transportation fringe benefits and adoption assistance programs set by [Rev. Proc. 2022-38](#), along with 2022 and 2021 amounts. The limits reflect the 7.1% increase in the average chained CPI for the 12 months ending Aug. 31, 2022. After applying the Code's rounding rules, all limits have increased significantly since 2022.

Qualified transportation and adoption assistance limits	2023	2022	2021
<b>Tax-free qualified transportation fringe benefits (IRC § 132(f))</b>			
Monthly qualified parking, transit passes or commuter highway vehicle benefit	\$300	\$280	\$270
<b>Qualified adoption assistance programs (IRC § 137)</b>			
Exclusion for child with special needs (regardless of expenses incurred)	15,950	14,890	14,440
Aggregate dollar limit for all tax years (child without special needs)	15,950	14,890	14,440
Phaseout begins at modified AGI of	239,230	223,410	216,660
Phaseout completed at modified AGI of	279,230	263,410	256,660

## HSA and HDHP limits

IRS [Rev. Proc. 2022-24](#) gives the 2023 inflation-adjusted amounts for HSA contributions, HDHP deductibles and HDHP in-network out-of-pocket (OOP) maximums. The limits reflect the 6.2% increase in the average chained CPI-U for the 12 months ending March 31, 2022. The 2023 tax-deductible/tax-free HSA contribution limits, HDHP in-network OOP maximums and HDHP minimum annual deductibles have increased for both self-only and family coverage. This is the first HDHP minimum annual deductible increase since 2020. The HSA catch-up contribution limit is set by statute and hasn't changed since 2009. The 2023 HDHP OOP maximums are lower than the corresponding [ACA limits for nongrandfathered group health plans](#). The following table shows the IRS limits for 2023 and the previous two years.

HSA and HDHP limits (IRC § 223)	2023	2022	2021
<b>Self-only coverage</b>			
Maximum tax-deductible/tax-free HSA contribution	\$3,850	\$3,650	\$3,600
HDHP minimum annual deductible	1,500	1,400	1,400
HDHP out-of-pocket maximum	7,500	7,050	7,000

HSA and HDHP limits (IRC § 223)	2023	2022	2021
<b>Family coverage</b>			
Maximum tax-deductible/tax-free HSA contribution	\$7,750	\$7,300	\$7,200
HDHP minimum annual deductible	3,000	2,800	2,800
HDHP out-of-pocket maximum	15,000	14,100	14,000
<b>HSA catch-up contribution limit at age 55 or older*</b>	1,000	1,000	1,000

\* Limit is set by statute and is not indexed.

## ACA nongrandfathered group health plan out-of-pocket maximum

The ACA limits annual OOP costs for essential health benefits under nongrandfathered group health plans (unless they provide only excepted benefits, such as limited-scope dental or vision coverage). Unlike the CPI-based adjustments to HDHP OOP maximums, annual adjustments to the ACA OOP limits reflect increases in the US average per-person employer-sponsored health insurance premium since 2013. (For benefit years 2020 and 2021, the annual adjustments also reflected increases in individual-market health insurance premiums.)

Nongrandfathered group health plans — including large-group and self-funded ones — with an annual OOP limit for family coverage exceeding the permitted self-only OOP limit must “embed” individual OOP limits at or below the ACA limit for self-only coverage.

CMS [published](#) the 2023 OOP limits on essential health benefits in December 2021. The OOP maximums apply on a plan-year basis, so the 2023 limits apply on the first day of the plan year starting in 2023. The table below shows the limits for 2021–2023. (In December 2022, CMS [published](#) the 2024 OOP limits of \$9,450 for self-only and \$18,900 for family coverage.)

ACA nongrandfathered group health plan out-of-pocket maximums	2023	2022	2021
Self-only coverage (and embedded individual maximum in family coverage)	\$9,100	\$8,700	\$8,550
Family coverage	18,200	17,400	17,100

## ACA employer shared-responsibility (play-or-pay) assessments

Under the ACA’s employer play-or-pay requirement, employers can face one of two IRS assessments. One potential assessment under Section 4980H(a) applies to employers that don’t offer coverage to nearly all (95%) ACA 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 ACA 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 using an employer’s total number of ACA full-time employees, the 4980H(b) assessment applies per ACA 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.

The next table shows the employer play-or-pay assessments for 2021–2023. Although the amounts shown are annual, the assessments are incurred and calculated monthly.

ACA employer play-or-pay assessments (IRC § 4980H)	2023	2022	2021
Not offering coverage (4980H(a))	\$2,880	\$2,750	\$2,700
Offering coverage lacking minimum value or affordability (4980H(b))	4,320	4,120	4,060

## ACA PTC eligibility and play-or-pay affordability percentages

Employers that don’t offer affordable, minimum-value health coverage to ACA full-time employees and their children risk play-or-pay assessments if any employee receives a PTC or cost-sharing subsidy for public exchange health coverage. Affordability depends on how much an employee must pay as a percentage of household income for self-only coverage under the lowest-cost employer option with minimum value. Initially set at 9.5% of household income for 2014, this limit is annually indexed to reflect premium growth relative to incomes over the past year.

Before 2020, this adjustment reflected the ratio of the premium growth rate for only employer-sponsored health coverage to the national income growth rate in the previous year. For calendar years 2020 and 2021, the method of calculating the “premium adjustment percentage” changed to capture premium increases for both individual-market policies and employer-sponsored health coverage. For calendar years 2022 and beyond, the [calculation](#) reverts to the pre-2020 method.

The 2023 affordability limit is 9.12%, a significant decrease from 9.61% in 2022 ([Rev. Proc. 2022-34](#)). The table below shows the 2021–2023 limits, which determine an employee’s PTC eligibility. The same limit applies to employees’ spouses and dependents.<sup>1</sup>

ACA premium tax credit eligibility and play-or-pay affordability percentages for employer coverage	2023	2022	2021
Top % of income for lowest-cost self-only coverage with minimum value	9.12%	9.61%	9.83%

<sup>1</sup> [IRS final rules](#) issued in October 2022 fix the so-called “family glitch” that based an employee’s family members’ PTC eligibility on the affordability of employee-only coverage. Starting in 2023, spouses and dependents of employees who are offered affordable self-only coverage but unaffordable family coverage can potentially qualify for PTCs. This change does not affect liability under the employer play-or-pay mandate or, according to IRS, employer reporting on Forms 1094/1095.

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 play-or-pay 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 line (FPL) for a single individual in the mainland US (the 48 contiguous states and Washington, DC). This percentage is indexed using the same ACA formula as the household income percentage ([Notice 2015-87](#), [Q&A-12](#)).

For employers using the FPL safe harbor to determine play-or-pay affordability, the next table shows the maximum required employee contribution that satisfies the safe harbor in the 48 contiguous states and Washington, DC. Note that the adjusted affordability percentages in the table above, and thus the dollar amounts in the table below, apply on a plan-year, not calendar-year, basis. This means noncalendar-year plans beginning in 2022 continue to use the 2022 level of \$108.83/month to determine FPL affordability until their 2023 plan year starts.

ACA affordable monthly employee contribution limit for play-or-pay FPL safe harbor (48 contiguous states and Washington, DC)	2023	2022	2021
Calendar-year plans	\$103.28	\$103.15	\$104.53
Noncalendar-year plans	110.81*	108.83	105.51

\* Noncalendar-year plans may use the FPL in effect within six months before the first day of the plan year. HHS issued the 2023 [FPL guidelines](#) on Jan. 12, 2023. Noncalendar-year plans beginning in 2023 benefit from using the higher 2023 FPL amounts.

## Medicare premiums, coinsurance, deductibles and Rx subsidy

CMS [released](#) the 2023 beneficiary premiums, deductibles and other cost-sharing amounts for Medicare Parts A and B. [Part A](#) monthly premiums have increased about 1.5%, while annual deductible and coinsurance amounts have increased approximately 2.8%. The 2023 [Part B](#) annual deductible, standard monthly premium and income-adjusted monthly premiums paid by many individuals have decreased. The 2023 [Part D](#) standard monthly premium and income-based premium adjustments has decreased slightly, while cost sharing has increased 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 next table shows the Part A deductibles, coinsurance amounts and premiums for 2021–2023. (For more details on how these amounts are calculated, see the CMS notices on the [Part A premium](#) and [Part A deductible and coinsurance](#).)

<b>Part A — Hospital insurance</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Hospital inpatient deductible	\$1,600.00	\$1,556.00	\$1,484.00
Hospital daily coinsurance			
Days 61–90	400.00	389.00	371.00
Lifetime reserve days	800.00	778.00	742.00
Skilled nursing facility daily coinsurance	200.00	194.50	185.50
Monthly premium			
Seniors and certain people with disabilities under age 65 with fewer than 30 quarters of coverage	506.00	499.00	471.00
Seniors with 30–39 quarters of coverage and certain people with disabilities who have at least 30 quarters of coverage	278.00	274.00	259.00

## 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. An annually updated CMS notice on [Part B premiums and deductibles](#) gives details on how these amounts are calculated.

This table shows the Part B annual deductible and standard monthly premium for 2021–2023.

<b>Part B — Medical insurance</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Annual deductible	\$226.00	\$233.00	\$203.00
Standard monthly premium	164.90	170.10	148.50

The next table lists the Part B monthly premiums for 2021–2023, including the income-adjusted premiums for higher-income beneficiaries. The AGI thresholds for most Part B income-related monthly adjustment amounts started increasing with inflation in 2021 (the top bracket will be adjusted for inflation starting in 2028).



<b>Part B — Medical insurance monthly premiums</b>					
<b>2023</b>		<b>2022</b>		<b>2021</b>	
<b>Annual income</b>	<b>Monthly premium</b>	<b>Annual income</b>	<b>Monthly premium</b>	<b>Annual income</b>	<b>Monthly premium</b>
<b>Single</b>					
\$0 – \$97,000*	\$164.90	\$0 – \$91,000*	\$170.10	\$0 – \$88,000*	\$148.50
97,001 – 123,000	230.80	91,001 – 114,000	238.10	88,001 – 111,000	207.90
123,001– 153,000	329.70	114,001– 142,000	340.20	111,001 – 138,000	297.00
153,001 – 183,000	428.60	142,001 – 170,000	442.30	138,001 – 165,000	386.10
183,001 – 499,999	527.50	170,001 – 499,999	544.30	165,001 – 499,999	475.20
500,000 or more	560.50	500,000 or more	578.30	500,000 or more	504.90
<b>Married filing jointly</b>					
0 – 194,000*	164.90	0 – 182,000*	170.10	0 – 176,000*	144.60
194,001 – 246,000	230.80	182,001 – 228,000	238.10	176,001 – 222,000	202.40
246,001 – 306,000	329.70	228,001 – 284,000	340.20	222,001 – 276,000	289.20
306,001 – 366,000	428.60	284,001 – 340,000	442.30	276,001 – 330,000	376.00
366,001 – 749,999	527.50	340,001 – 749,999	544.30	330,001 – 749,999	462.70
750,000 or more	560.50	750,000 or more	578.30	750,000 or more	504.90
<b>Married filing separately</b>					
0 – 97,000*	164.90	0 – 91,000*	170.10	0 – 88,000*	148.50
97,001 – 402,999	527.50	91,001 – 408,999	544.30	88,001 – 411,999	475.20
403,000 or more	560.50	409,000 or more	578.30	412,000 or more	504.90

\* 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. The next table summarizes 2021–2023 Part D standard [benefits](#), [RDS benefits](#) and the [monthly Part D base premium](#).

<b>Part D benefits and RDS amounts</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Standard Part D benefit</b>			
Deductible	\$505.00	\$480.00	\$445.00
Initial coverage limit	4,660.00	4,430.00	4,130.00
Out-of-pocket threshold	7,400.00	7,050.00	6,550.00
Total covered Part D drug out-of-pocket threshold: out-of-pocket threshold + 75% (initial coverage limit – deductible)	10,516.25	10,012.50	9,313.75
<b>Minimum cost-sharing for catastrophic coverage</b>			
Generic/preferred	\$4.15	\$3.95	\$3.70
Other	10.35	9.85	9.20
<b>Retiree drug subsidy (RDS)</b>			
Cost threshold (Part D deductible)	505.00	480.00	445.00
Cost limit	10,350.00	9,850.00	9,200.00
Maximum subsidy per retiree: 28% × (cost limit – cost threshold)	2,756.60	2,623.60	2,451.40
<b>Monthly Part D premium</b>			
Base beneficiary premium (national average Part D premium)	32.74	33.37	33.06

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 2021–2023 monthly Part D premium adjustments for different annual income tiers. The AGI thresholds for most Part D income-related monthly adjustments started increasing with inflation in 2020 (the top bracket will be adjusted for inflation starting in 2028).

Part D income-related monthly adjustment amounts					
2023		2022		2021	
Annual income	Monthly adjustment amount	Annual income	Monthly adjustment amount	Annual income	Monthly adjustment amount
<b>Single</b>					
\$0 – \$97,000*	\$0.00	\$0 – \$91,000*	\$0.00	\$0 – \$88,000*	\$0.00
97,001 – 123,000	12.20	91,001 – 114,000	12.40	88,001 – 111,000	12.30
123,001 – 153,000	31.50	114,001 – 142,000	32.10	111,001 – 138,000	31.80
153,001 – 183,000	50.70	142,001 – 170,000	51.70	138,001 – 165,000	51.20
183,001 – 499,999	70.00	170,001 – 499,999	71.30	165,001 – 499,999	70.70
500,000 or more	76.40	500,000 or more	77.90	500,000 or more	76.40
<b>Married filing jointly</b>					
0 – 194,000*	0.00	0 – 182,000*	0.00	0 – 176,000*	0.00
194,001 – 246,000	12.20	182,001 – 228,000	12.40	176,001 – 222,000	12.30
246,001 – 306,000	31.50	228,001 – 284,000	32.10	222,001 – 276,000	31.80
306,001 – 366,000	50.70	284,001 – 340,000	51.70	276,001 – 330,000	51.20
366,001 – 749,999	70.00	340,001 – 749,999	71.30	330,001 – 749,999	70.70
750,000 or more	76.40	750,000 or more	77.90	750,000 or more	76.40
<b>Married filing separately</b>					
0 – 97,000*	0.00	0 – 91,000*	0.00	0 – 88,000*	0.00
97,001 – 402,999	70.00	91,001 – 408,999	71.30	88,001 – 411,999	70.70
403,000 or more	76.40	409,000 or more	77.90	412,000 or more	77.10

\* Income bracket for most beneficiaries

## Social Security and SSI amounts

On Oct. 13, 2022, SSA [announced](#) that an 8.7% cost-of-living increase for 2023 benefits, the largest annual adjustment in more than 40 years, reflecting the change in the third-quarter CPI for Urban Wage Earners and Clerical Workers (CPI-W) from 2021 to 2022. Other 2023 Social Security amounts are tied to the 8.9% increase in [average annual wages](#) from 2020 to 2021. The next table shows key Social Security values for 2021–2023 from SSA’s 2023 [fact sheet](#) and [automatic determinations](#) webpage.

<b>Social Security and SSI values</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Cost-of-living increase	8.7%	5.9%	1.3%
Average annual wage (second preceding year)	\$60,575.07	\$55,628.60	\$54,099.99
OASDI contribution and benefit base (wage base)	160,200	147,000	142,800
“Old law” contribution and benefit base	118,000	109,200	106,200
Retirement earnings test exempt amount (annual)			
Under full retirement age (full year)	21,240	19,560	18,960
Year individual reaches full retirement age (period before attaining full retirement age)	56,520	51,960	50,520
Wages needed for a quarter of coverage	1,640	1,510	1,470
Disability thresholds (monthly amounts)			
Substantial gainful activity — not blind	1,470	1,350	1,310
Substantial gainful activity — blind	2,460	2,260	2,190
Trial work period	1,050	970	940
Coverage thresholds for			
Domestic employees	2,600	2,400	2,300
Election workers	2,200	2,000	2,000
Bend points — primary insurance amount (PIA) formula applied to average indexed monthly earnings (AIME)			
90% of AIME up to 32% of AIME over first bend point	1,115	1,024	996
32% of AIME over first bend point up to 15% of AIME over second bend point	6,721	6,172	6,002
Bend points — maximum family benefit formula applied to worker’s PIA			
150% of PIA up to 272% of PIA over first bend point	1,425	1,308	1,272
272% of PIA over first bend point up to 134% of PIA over second bend point	2,056	1,889	1,837
134% of PIA over second bend point up to 175% of PIA over third bend point	2,682	2,463	2,395
SSI federal payment standard (monthly amounts)			
Individual	914	841	794
Couple	1,371	1,261	1,191

Social Security and SSI values	2023	2022	2021
SSI student exclusion limits			
Monthly limit	\$2,220	\$2,040	\$1,930
Annual limit	8,950	8,230	7,770

## Related resources

### Non-Mercer resources

- [Poverty guidelines](#) (HHS)
- [Covered employment for Social Security credits](#) (SSA)
- [National average wage index](#) (SSA)
- [Social Security amounts determined by automatic adjustment](#) (SSA)
- [Chained Consumer Price Index for All Urban Consumers](#) (Bureau of Labor Statistics)
- [CC RI 23-01](#) (Puerto Rico Treasury, Jan 13, 2023)
- [Rev. Rul. 2022-24](#) (IRS, Dec. 8, 2022)
- [Present value of PBGC maximum guarantee and spreadsheet](#) (PBGC, Oct. 31, 2022)
- [Notice 2022-55](#), 2023 contribution and benefit limits for qualified retirement plans (IRS, Oct. 21, 2022)
- [Maximum monthly guaranteed benefit tables for single-employer plans in 2023 and earlier years](#) (PBGC, Oct. 19, 2022)
- [Rev. Proc. 2022-38](#), 2023 limits for health FSAs; QSEHRAs; and qualified LTC policies, transportation fringe benefits and adoption assistance programs (IRS, Oct. 18, 2022)
- [IRS provides tax inflation adjustments for tax year 2023](#) (IRS, Oct. 18, 2022)
- [Premium rates for 2023 and earlier years](#) (PBGC, Oct. 14, 2022)
- [Fact sheet](#), 2023 Social Security changes (SSA, Oct. 13, 2022)
- [Final rule](#), Affordability of employer coverage for family members of employees (Federal Register, Oct. 13, 2022)
- [Medicare Part A premiums for 2023](#) (Federal Register, Sept. 29, 2022)

- [Medicare Part A inpatient hospital deductible and hospital and extended care services coinsurance amounts for 2023](#) (Federal Register, Sept. 29, 2022)
- [Medicare Part B monthly actuarial rates, premium rates and annual deductible for 2023](#) (Federal Register, Sept. 29, 2022)
- [2023 Medicare Parts A & B premiums and deductibles and 2023 Medicare Part D income-related monthly adjustment amounts](#) (CMS, Sept. 27, 2022)
- [Q&A-55 on ACA employer shared-responsibility provisions — assessments](#) (IRS, Aug. 16, 2022)
- [Q&A-40 on ACA employer shared-responsibility provisions — affordability percentage](#) (IRS, Aug., 16, 2022)
- [Rev. Proc. 2022-34, Maximum income percentage for ACA affordable coverage](#) (IRS, July 29, 2022)
- [Annual release of Part D national average bid amount and other Part C & D bid information](#) (CMS, July 29, 2022)
- [Rev. Proc. 2022-24, 2023 HSA, HDHP and employer contribution limit for excepted-benefit HRAs](#) (IRS, April 29, 2022)
- [RDS cost threshold and cost limit by plan year](#) (CMS, April 5, 2022)
- [Announcement of calendar-year 2023 Medicare Advantage capitation rates and Part C and Part D payment policies](#) (CMS, April 4, 2022)
- [Premium adjustment percentage, maximum annual limitation on cost sharing, reduced maximum annual limitation on cost sharing and required contribution percentage for the 2023 benefit year](#) (CMS, Dec. 28, 2021)
- [Notice 2015-87](#) (IRS, Dec. 16, 2015)

## **Mercer Law & Policy resources**

- [Mercer projects 2024 HSA, HDHP and excepted-benefit HRA amounts](#) (Jan. 25, 2023)
- [2023 Social Security, PBGC figures and projected covered compensation](#) (Nov. 1, 2022)
- [2023 quick benefit facts](#) (Oct. 21, 2022)
- [2023 health FSA, other health and fringe benefit limits now set](#) (Oct. 19, 2022)
- [Mercer projects record increases for 2023 retirement plan limits](#) (Oct. 13, 2022)
- [Affordability percentage for employer health coverage will shrink in 2023](#) (Sept. 14, 2022)
- [Mercer projects 2023 IRA and saver's credit limits](#) (Aug. 12, 2022)

- [2023 transportation and health FSA limits projected](#) (July 19, 2022)
- [2023 HSA, HDHP and excepted-benefit HRA figures set](#) (May 3, 2022)

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