

LAW &amp; POLICY GROUP

GRIST



# Summary of 2020 benefit-related cost-of-living adjustments

*By Mercer's Margaret Berger, James Chakan and Dorian Z. Smith  
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The IRS, PBGC, Social Security Administration (SSA), and Centers for Medicare and Medicaid Services (CMS) have issued 2020 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 2020 COLAs for benefit plans issued in the fall of 2019, as well as the following recently published items: the 2020 limits for retirement plans qualified in Puerto Rico; the IRS's 2020 covered compensation tables; and the 2020 play-or-pay monthly contribution limit for noncalendar-year health plans using an affordability safe harbor based on the federal poverty guidelines.

## 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 2019-59](#) provides qualified retirement plan limits for 2020. After applying the rounding rules in the Internal Revenue Code (IRC), the 1.76% increase in the third-quarter CPI from 2018 to 2019 raised almost all of the limits, except for the SIMPLE 401(k) plan catch-up contribution and simplified employee pension (SEP) plan minimum compensation limits. The following table shows the qualified retirement plan limits for 2018, 2019 and 2020, along with unrounded 2020 values — calculated by Mercer — to facilitate projections.

IRC retirement plan limit	2020 (not rounded)	2020	2019	2018
Treas. Reg. § 1.401(a)(9)-6 limit on premiums paid for a qualified longevity annuity contract	\$137,163	\$135,000*	\$130,000*	\$130,000*
401(k), 403(b) and eligible 457 plan elective deferrals (and designated Roth contributions)	19,554	19,500	19,000	18,500
414(v)(2)(B)(i) catch-up contributions (plans other than SIMPLE plans)	6,518	6,500	6,000	6,000
408(p)(2)(E) SIMPLE plan elective deferrals	13,535	13,500	13,000	12,500
414(v)(2)(B)(ii) SIMPLE plan catch-up contributions	3,259	3,000	3,000	3,000
408(k)(2)(C) SEP plan minimum compensation	650	600	600	600
415(b) DB plan maximum annuity	230,976	230,000	225,000	220,000
415(c) DC plan maximum annual addition	57,744	57,000	56,000	55,000
401(a)(17) and 408(k)(3)(C) compensation	288,720	285,000	280,000	275,000
401(a)(17) compensation for eligible participants in certain governmental plans in effect July 1, 1993	426,540	425,000	415,000	405,000
414(q)(1)(B) highly compensated employee and 414(q)(1)(C) top-paid group	130,464	130,000	125,000	120,000
416(i)(1)(A)(i) officer compensation for top-heavy plan key employee definition	187,668	185,000	180,000	175,000
Treas. Reg. § 1.61-21(f)(5) control employee for fringe benefit valuation purposes				
Officer compensation	116,190	115,000	110,000	110,000
Employee compensation	232,380	230,000	225,000	220,000
409(o)(1)(C) tax-credit ESOP limits for lengthening the distribution period				
Five-year maximum balance	1,154,880	1,150,000	1,130,000	1,105,000
One-year extension	230,976	230,000	225,000	220,000

IRC retirement plan limit	2020 (not rounded)	2020	2019	2018
432(e)(9)(H)(v) systemically important multiemployer plan (billions)	\$1.135 B	\$1.135 B	\$1.097 B	\$1.087 B
664(g)(7) qualified gratuitous transfer of employer securities to an ESOP	52,815	50,000	50,000	50,000
* 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 <a href="#">Notice 2018-83</a> , IRS said that the next increase will be to \$135,000, after which the limit will be adjusted only in increments of \$10,000.				

### Puerto Rico qualified retirement plan limits

On Dec. 30, 2019, the Puerto Rico (PR) Treasury [announced](#) 2020 limits for PR-only plans and dual-qualified plans. Changes to the PR tax code in 2011 aligned its annual limits for compensation, contributions and benefits with the US qualified plan limits. Act 9-2017 unlinked the maximum annual addition for DC plans and highly compensated employee (HCE) threshold from the parallel US amounts, but later laws (Acts [106-2017](#) and [257-2018](#)) reversed those changes.

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	2020	2019	2018
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	19,500 <sup>†</sup>	19,000 <sup>†</sup>	18,500 <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	285,000	280,000	275,000
1081.01(a)(11)(A)(i) DB maximum annuity	230,000	225,000	220,000
1081.01(a)(11)(B)(i) DC maximum annual addition	57,000 <sup>§</sup>	56,000 <sup>§</sup>	55,000 <sup>§</sup>

PR Code retirement plan limit	2020	2019	2018
1081.01(d)(3)(E)(iii)(IV) HCE threshold	130,000 <sup>§§</sup>	125,000 <sup>§§</sup>	120,000 <sup>§§</sup>

\* Limit is set by statute and is not indexed for inflation. A previous version of this article incorrectly showed this amount as \$19,000 for 2020.

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

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

§§ The 2018 threshold doesn't reflect Act 9-2017, which set Puerto Rico's HCE threshold at \$150,000 with no indexing for inflation — unlike the HCE threshold for US qualified plans. 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 [published](#) 2020 covered compensation tables on Jan. 3, 2020, 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
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

Year born	Social Security full retirement		Covered compensation	
	Age	Year	Not rounded	Rounded
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
1951	66	2017	77,880	78,000
1952	66	2018	80,532	81,000
1953	66	2019	83,244	84,000

The next table shows 2020 amounts for individuals below Social Security full retirement age, along with 2019 amounts.

Year born	Social Security full retirement		Covered compensation			
	Age	Year	Not rounded		Rounded	
			2020	2019	2020	2019
1954	66	2020	\$86,052	\$85,920	\$87,000	\$87,000
1955	66 & 2 months	2022	91,464	91,056	90,000	90,000
1956	66 & 4 months	2023	94,116	93,564	93,000	93,000
1957	66 & 6 months	2024	96,684	96,000	96,000	96,000
1958	66 & 8 months	2025	99,144	98,328	99,000	99,000
1959	66 & 10 months	2026	101,556	100,596	102,000	102,000
1960	67	2027	103,908	102,804	105,000	102,000
1961	67	2028	106,200	104,964	105,000	105,000
1962	67	2029	108,396	107,028	108,000	108,000
1963	67	2030	110,580	109,080	111,000	108,000
1964	67	2031	112,728	111,084	114,000	111,000
1965	67	2032	114,792	113,004	114,000	114,000
1966	67	2033	116,772	114,852	117,000	114,000
1967	67	2034	118,632	116,580	120,000	117,000
1968	67	2035	120,384	118,200	120,000	117,000
1969	67	2036	122,028	119,700	123,000	120,000
1970	67	2037	123,540	121,068	123,000	120,000
1971	67	2038	124,980	122,376	126,000	123,000
1972	67	2039	126,408	123,660	126,000	123,000
1973	67	2040	127,764	124,884	129,000	126,000
1974	67	2041	129,012	126,000	129,000	126,000
1975	67	2042	130,164	127,008	129,000	126,000
1976	67	2043	131,184	127,884	132,000	129,000
1977	67	2044	132,060	128,640	132,000	129,000
1978	67	2045	132,948	129,384	132,000	129,000
1979	67	2046	133,824	130,128	135,000	129,000
1980	67	2047	134,616	130,776	135,000	132,000

Year born	Social Security full retirement		Covered compensation			
	Age	Year	Not rounded		Rounded	
			2020	2019	2020	2019
1981	67	2048	\$135,300	\$131,328	\$135,000	\$132,000
1982	67	2049	135,900	131,784	135,000	132,000
1983	67	2050	136,440	132,192	137,700	132,000
1984	67	2051	136,992	132,600	137,700	132,900
1985	67	2052	137,292	132,768	137,700	132,900
1986	67	2053	137,556	132,900	137,700	132,900
1987+	67	2054+	137,700	132,900	137,700	132,900

### PBGC premiums, guaranteed benefits and maximum present value

On Oct. 11, 2019, PBGC [announced](#) inflation-adjusted premium rates and the variable-rate premium cap. Starting in 2020, all premium amounts — including the per-participant variable-rate premium cap — are indexed annually for wage inflation.

On Oct. 24, 2019, PBGC [announced](#) that the maximum guaranteed benefit for plans terminating in 2020 will rise to \$69,750 from \$67,295 in 2019. 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	2020	2019	2018
Flat-rate premium — single-employer plans	\$83	\$80*	\$74*
Flat-rate premium — multiemployer plans	30	29	28
Variable-rate premium per \$1,000 of unfunded vested benefits	45	43	38
Per-participant variable-rate premium cap	561	541	523
Annual maximum guaranteed benefit (payable as a single-life annuity starting at age 65)	69,750	67,295	65,045

\* Value is set by statute.

On Nov. 7, 2019, PBGC announced the [2020 present values of the PBGC maximum guarantee](#), which is used to administer Section 436 restrictions on lump sums and other accelerated payments. The present

values will increase significantly from 2019 levels (more than 50% at the earliest ages), mainly because the August 2019 417(e) lump sum segment rates (2.09%, 3.00% and 3.61%) used to determine the 2020 present values are much lower than the August 2018 rates (3.10%, 4.15% and 4.46%) used to determine the 2019 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 2020 table for annuity starting dates in 2020, regardless of the plan year.

The next table shows the present values for 2020 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](#).

Age	Present value of PBGC maximum guarantee			Age	Present value of PBGC maximum guarantee		
	2020*	2019†	2018‡		2020*	2019†	2018‡
25	\$227,914	\$146,755	\$149,687	56	\$734,107	\$593,319	\$611,466
26	236,193	153,328	156,238	57	763,193	621,513	640,214
27	244,772	160,195	163,076	58	793,333	651,113	670,105
28	253,664	167,371	170,214	59	824,609	682,226	701,225
29	262,881	174,868	177,665	60	857,118	714,974	733,668
30	272,436	182,704	185,444	61	893,387	752,033	771,550
31	282,341	190,892	193,565	62	930,697	790,578	810,234
32	292,611	199,450	202,044	63	969,175	830,761	849,827
33	303,261	208,395	210,898	64	1,008,989	873,205	890,474
34	314,304	217,744	220,143	65	1,050,190	916,704	932,228
35	325,755	227,517	229,796	66	1,124,309	983,450	1,000,159
36	337,629	237,732	239,876	67	1,202,280	1,053,885	1,071,825
37	349,940	248,409	250,401	68	1,292,654	1,135,566	1,154,903
38	362,708	259,569	261,392	69	1,393,511	1,226,893	1,247,745
39	375,947	271,236	272,870	70	1,502,901	1,326,224	1,348,663
40	389,678	283,433	284,858	71	1,694,086	1,498,432	1,523,597
41	403,921	296,185	297,379	72	1,867,664	1,655,933	1,683,444
42	418,694	309,520	310,459	73	2,023,451	1,798,482	1,827,906
43	434,021	323,464	324,125	74	2,161,349	1,925,892	1,956,791



Age	Present value of PBGC maximum guarantee			Age	Present value of PBGC maximum guarantee		
	2020*	2019†	2018‡		2020*	2019†	2018‡
44	\$449,927	\$338,051	\$338,405	75	\$2,281,345	\$2,038,048	\$2,069,973
45	466,437	353,311	353,332	76	2,671,083	2,392,451	2,428,888
46	487,603	370,902	373,218	77	3,017,919	2,710,267	2,750,260
47	509,324	389,213	393,730	78	3,322,352	2,991,641	3,034,206
48	531,619	408,278	414,893	79	3,585,157	3,236,989	3,281,270
49	554,512	428,136	436,734	80	3,807,542	3,447,042	3,492,234
50	578,029	448,826	459,281	81	4,751,490	4,313,277	4,367,338
51	602,197	470,395	482,567	82	5,575,176	5,074,660	5,135,370
52	627,041	492,884	506,620	83	6,284,334	5,735,475	5,800,930
53	652,603	516,353	531,485	84	6,882,581	6,298,126	6,366,539
54	678,925	540,861	557,205	85	7,378,136	6,769,186	6,839,216
55	706,056	566,477	583,832				

\* Present value determined using August 2019 lump sum segment rates of 2.09%, 3.00% and 3.61%.

† 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%.

## Saver's credit

[Notice 2019-59](#) 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, 2019.

Saver's credit AGI thresholds (IRC § 25B)	2020	2019	2018
50% saver's credit if AGI is no more than specified amount			
Married filing jointly	\$39,000	\$38,500	\$38,000
Head of household	29,250	28,875	28,500
Other filing status	19,500	19,250	19,000

Saver's credit AGI thresholds (IRC § 25B)	2020	2019	2018
20% saver's credit if AGI exceeds threshold for 50% credit but is no more than specified amount			
Married filing jointly	\$42,500	\$41,500	\$41,000
Head of household	31,875	31,125	30,750
Other filing status	21,250	20,750	20,500
10% saver's credit if AGI exceeds threshold for 20% credit but is no more than specified amount			
Married filing jointly	65,000	64,000	63,000
Head of household	48,750	48,000	47,250
Other filing status	32,500	32,000	31,500

### Traditional and Roth IRA limits

Maximum 2020 deductions for traditional IRA contributions remain unchanged after rounding. AGI phase-out thresholds for Roth IRA contributions and a qualified plan participant's deductible traditional IRA contributions will increase in 2020 due to the increase in the average chained CPI for the 12 months ending Aug. 31, 2019. 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 2020 IRA limits announced by IRS, along with the limits for the previous two years.

Traditional and Roth IRA limits	2020	2019	2018
Traditional IRA deduction limits (IRC §§ 219(b)(5) and 219(g)(3)(B))			
IRA maximum deductible amount	\$6,000	\$6,000	\$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)	104,000	103,000	101,000
Married filing separately*	0	0	0
Single or head of household	65,000	64,000	63,000
Spouse (but not taxpayer making IRA contribution) is active participant	196,000	193,000	189,000

Traditional and Roth IRA limits	2020	2019	2018
Roth IRA contribution limits (IRC § 408A(c)(3)(C)(ii))			
AGI for determining maximum Roth IRA contribution			
Married filing jointly or qualifying widow(er)	\$196,000	\$193,000	\$189,000
Married filing separately*	0	0	0
Other filing status	124,000	122,000	120,000
* Limit is not adjusted for cost-of-living changes.			

## Health and fringe benefit limits

Every autumn, IRS updates the annual Code limits for certain health and fringe benefits, including health flexible spending arrangements (FSAs), certain health reimbursement arrangements (HRAs), Archer medical savings accounts (MSAs), long-term care (LTC) plans, [transportation fringe benefits](#) and [adoption assistance programs](#). COLAs for [health savings accounts \(HSAs\)](#) and [high-deductible health plans \(HDHPs\)](#) are 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.

### Health FSA, certain HRA, Archer MSA and LTC limits

IRS Rev. Proc. 2019-44 gives the 2020 limits for salary-reduction contributions to health FSAs; Archer MSAs; and qualified small-employer health reimbursement arrangements (QSEHRAs), LTC policies, transportation fringe benefits and adoption assistance. [Regulations](#) issued in June 2019 set the 2020 limit for excepted-benefit HRAs, which will also be subject to annual adjustment.

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, 2019, 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 2019 except the Archer MSA minimum annual deductible for self-only coverage.

Health FSA, excepted-benefit HRA, QSEHRA, Archer MSA and LTC limits	2020	2019	2018
Health FSA limit (IRC § 125(i))			
Maximum salary reduction contribution	\$2,750	\$2,700	\$2,650
Excepted-benefit HRA limit (26 CFR § 54.9831-1(c)(3)(viii)(B)(1))			
Maximum annual benefit	1,800	N/A	N/A

Health FSA, excepted-benefit HRA, QSEHRA, Archer MSA and LTC limits	2020	2019	2018
<b>QSEHRA limit (IRC § 9831(d))</b>			
Maximum annual benefit			
Self-only coverage	\$5,250	\$5,150	\$5,050
Family coverage	10,600	10,450	10,250
<b>Archer MSA limits (IRC § 220(c)(2))</b>			
Self-only coverage			
Minimum annual deductible	2,350	2,350	2,300
Maximum annual deductible	3,550	3,500	3,450
Maximum out-of-pocket limit	4,750	4,650	4,550
Family coverage			
Minimum annual deductible	4,750	4,650	4,550
Maximum annual deductible	7,100	7,000	6,850
Maximum out-of-pocket limit	8,650	8,550	8,400
<b>Qualified LTC plan limits (IRC § 213(d) and 7702B(d)(4))</b>			
Premium limits at age:			
40 or younger	430	420	420
41–50	810	790	780
51–60	1,630	1,580	1,560
61–70	4,350	4,220	4,160
Older than 70	5,430	5,270	5,200
Per diem limit	380	370	360

### Qualified transportation and adoption assistance benefits

The next table shows the 2020 adjusted figures for qualified transportation fringe benefits and adoption assistance set by Rev. Proc. [2019-44](#), along with amounts for 2019 and 2018. The limits reflect the increase in the average chained CPI for the 12 months ending Aug. 31, 2019. After applying the Code's rounding rules, all limits have increased since 2019.

Qualified transportation and adoption assistance limits	2020	2019	2018
Tax-free qualified transportation fringe benefits (IRC § 132(f))			
Monthly qualified parking, transit passes or commuter highway vehicle transportation	\$270	\$265	\$260
Qualified adoption assistance benefits (IRC § 137)			
Exclusion for child with special needs (regardless of expenses incurred)	14,300	14,080	13,810
Aggregate dollar limit for all tax years (child without special needs)	14,300	14,080	13,810
Phaseout begins at modified AGI of	214,520	211,160	207,140
Phaseout completed at modified AGI of	254,520	251,160	247,140

## HSA and HDHP limits

On May 28, 2019, IRS [announced](#) 2020 inflation-adjusted amounts for HSA contributions, HDHP deductibles and maximum HDHP out-of-pocket costs. All the limits increase in 2020. The 2020 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 following table shows the IRS limits for 2018–2020.

HSA and HDHP limits (IRC § 223)	2020	2019	2018
Self-only coverage			
Maximum tax-deductible HSA contribution	\$3,550	\$3,500	\$3,450
HDHP minimum annual deductible	1,400	1,350	1,350
HDHP out-of-pocket maximum	6,900	6,750	6,650
Family coverage			
Maximum tax-deductible HSA contribution	7,100	7,000	6,900
HDHP minimum annual deductible	2,800	2,700	2,700
HDHP out-of-pocket maximum	13,800	13,500	13,300
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.

Starting in 2020, the “premium adjustment percentage” includes premium data not only for employer-sponsored insurance but also for certain types of individual insurance. The US Department of Health and Human Services (HHS) announced this change in April 2019, saying the new calculation method better reflects premium costs across the insurance market, despite some commenters’ concerns that including data from a still unstable insurance market could result in inaccurate and higher premiums and reduce premium tax credits for anyone purchasing individual insurance.

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 2018–2020 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 2020 limit will apply on the first day of the plan year starting in 2020.

ACA nongrandfathered group health plan out-of-pocket maximum	2020	2019	2018
Self-only coverage	\$8,150	\$7,900	\$7,350
Family coverage			
Total out-of-pocket limit	16,300	15,800	14,700
Embedded individual out-of-pocket limit (if applicable)	8,150	7,900	7,350

## ACA shared-responsibility assessments

Under the ACA’s employer shared-responsibility (play-or-pay) requirement, employers must offer most full-time employees some form of 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 play-or-pay and individual shared-responsibility assessments for 2018-2020, though the assessments are incurred and calculated on a monthly basis.

ACA shared-responsibility assessments	2020	2019	2018
<b>Employer play-or-pay assessments (IRC § 4980H)</b>			
Not offering coverage (4980H(a))	\$2,570	\$2,500	\$2,320
Offering coverage lacking minimum value or affordability (4980H(b))	3,860	3,750	3,480
<b>Individual penalty for not maintaining minimum essential coverage (IRC § 5000A(c))</b>			
Applicable flat-dollar amount	N/A	N/A	695
Applicable percentage of household income	N/A	N/A	2.5%

### ACA premium tax credit eligibility and play-or-pay affordability percentages

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 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 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 2020 affordability limit is 9.78%, down from 9.86% in 2018 ([Rev. Proc. 2019-29](#)). The table below shows the 2018–2020 limits, which determine an employee's premium tax credit eligibility. The same limit applies to employees' spouses and dependents, even though affordability is tied to employee-only rates.

ACA premium tax credit eligibility	2020	2019	2018
Maximum percentage of household income for lowest-cost self-only coverage with minimum value offered by employer	9.78%	9.86%	9.56%

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 (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 table below shows the maximum required employee contribution to satisfy that safe harbor. Note that the amounts noted below apply on a plan-year, not calendar-year, basis. This means noncalendar-year plans will continue to use the 2019 level of \$102.63/month to determine FPL affordability until their 2020 plan years start.

Monthly employee contribution limit under FPL affordability safe harbor	2020	2019	2018
Calendar-year plans	\$101.79	\$99.75	\$96.08
Noncalendar-year plans	103.99	102.63	96.72

## Medicare premiums, coinsurance, deductibles and Rx subsidy

On Nov. 8, 2019, CMS [released](#) the 2020 beneficiary premiums, deductibles and other cost-sharing amounts for Medicare Parts A and B. [Part A](#) monthly premiums will increase approximately 5.0% (4.8% for individuals with fewer than 30 quarters of coverage), while annual deductible and coinsurance amounts will increase approximately 3.2%. The 2020 [Part B](#) annual deductible, standard monthly premium and income-adjusted monthly premiums paid by many individuals will rise. The 2020 [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 next table shows the Part A deductibles, coinsurance amounts and premiums for 2018–2020. (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	2020	2019	2018
Hospital inpatient deductible	\$1,408.00	\$1,364.00	\$1,340.00
Hospital daily coinsurance			
Days 61–90	352.00	341.00	335.00
Lifetime reserve days	704.00	682.00	670.00
Skilled nursing facility daily coinsurance	176.00	170.50	167.50
Monthly premium			
Seniors and certain people with disabilities under age 65 with fewer than 30 quarters of coverage	458.00	437.00	422.00
Seniors with 30–39 quarters of coverage and certain people with disabilities who have at least 30 quarters of coverage	252.00	240.00	232.00

### 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 \$144.60 in 2020 from \$135.50 in 2019. 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 for 2018–2020.

Part B — Medical insurance	2020	2019	2018
Annual deductible	\$198.00	\$185.00	\$183.00

The next table lists the Part B monthly premiums for 2018–2020, including the income-adjusted premiums for higher-income beneficiaries. Beginning in 2020, the AGI thresholds for most Part B income-related monthly adjustment amounts will increase with inflation (the top bracket will be adjusted for inflation starting in 2028).

Part B — Medical insurance monthly premiums					
2020		2019		2018	
Annual income	Monthly premium	Annual income	Monthly premium	Annual income	Monthly premium
<b>Single</b>					
\$0 – \$87,000*	\$144.60	\$0 – \$85,000*	\$135.50	\$0 – \$85,000*	\$134.00
87,001 – 109,000	202.40	85,001 – 107,000	189.60	85,001 – 107,000	187.50
109,001 – 136,000	289.20	107,001 – 133,500	270.90	107,001 – 133,500	267.90
136,001 – 163,000	376.00	133,501 – 160,000	352.20	133,501 – 160,000	348.30
163,001 – 499,999	462.70	160,001 – 499,999	433.40	160,001 or more	428.60
500,000 or more	491.60	500,000 or more	460.50		
<b>Married filing jointly</b>					
0 – 174,000*	144.60	0 – 170,000*	135.50	0 – 170,000*	134.00
174,001 – 218,000	202.40	170,001 – 214,000	189.60	170,001 – 214,000	187.50
218,001 – 272,000	289.20	214,001 – 267,000	270.90	214,001 – 267,000	267.90
272,001 – 326,000	376.00	267,001 – 320,000	352.20	267,001 – 320,000	348.30
326,001 – 749,999	462.70	320,001 – 749,999	433.40	320,001 or more	428.60
750,000 or more	491.60	750,000 or more	460.50		
<b>Married filing separately</b>					
0 – 87,000*	144.60	0 – 85,000	135.50	0 – 85,000	134.00
87,001 – 412,999	462.70	85,001 – 414,999	433.40	85,001 or more	428.60
413,000 or more	491.60	415,000 or more	460.50		

\* 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 two tables summarize 2018–2020 Part D [benefit parameters](#), [RDS benefits](#) and the monthly Part D [premium adjustments](#) for different annual income tiers. Beginning in 2020, the [AGI thresholds](#) for most Part D income-related monthly adjustment amounts will increase with inflation (the top bracket will be adjusted for inflation starting in 2028).

Part D benefits and RDS amounts	2020	2019	2018
<b>Standard Part D benefit</b>			
Deductible	\$435.00	\$415.00	\$405.00
Initial coverage limit	4,020.00	3,820.00	3,750.00
Out-of-pocket threshold	6,350.00	5,100.00	5,000.00
Total covered Part D drug out-of-pocket threshold: out-of-pocket threshold + 75% (initial coverage limit – deductible)	9,038.75	7,653.75	7,508.75
<b>Minimum cost-sharing for catastrophic coverage</b>			
Generic/preferred	3.60	3.40	3.35
Other	8.95	8.50	8.35
<b>Retiree drug subsidy (RDS)</b>			
Cost threshold (Part D deductible)	435.00	415.00	405.00
Cost limit	8,950.00	8,500.00	8,350.00
Maximum subsidy per retiree: 28% × (cost limit – cost threshold)	2,384.20	2,263.80	2,224.60
<b>Monthly Part D premium</b>			
Base beneficiary premiums (national average Part D premium)	32.74	33.19	35.02

Part D income-related monthly adjustment amounts					
2020		2019		2018	
Annual income	Monthly premium	Annual income	Monthly premium	Annual income	Monthly premium
<b>Single</b>					
\$0 – \$87,000*	\$0.00	\$0 – \$85,000*	\$0.00	\$0 – \$85,000*	\$0.00
87,001 – 109,000	12.20	85,001 – 107,000	12.40	85,001 – 107,000	13.00
109,001 – 136,000	31.50	107,001 – 133,500	31.90	107,001 – 133,500	33.60
136,001 – 163,000	50.70	133,501 – 160,000	51.40	133,501 – 160,000	54.20
163,001 – 499,999	70.00	160,001 – 499,999	70.90	160,001 or more	74.80
500,000 or more	76.40	500,000 or more	77.40		
<b>Married filing jointly</b>					
0 – 174,000*	0.00	0 – 170,000*	0.00	0 – 170,000*	0.00
174,001 – 218,000	12.20	170,001 – 214,000	12.40	170,001 – 214,000	13.00
218,001 – 272,000	31.50	214,001 – 267,000	31.90	214,001 – 267,000	33.60
272,001 – 326,000	50.70	267,001 – 320,000	51.40	267,001 – 320,000	54.20
326,001 – 749,999	70.00	320,001 – 749,999	70.90	320,001 or more	74.80
750,000 or more	76.40	750,000 or more	77.40		
<b>Married filing separately</b>					
0 – 87,000*	0.00	0 – 85,000	0.00	0 – 85,000	0.00
87,001 – 412,999	70.00	85,001 – 414,999	70.90	85,001 or more	74.80
413,000 or more	76.40	415,000 or more	77.40		

\* Income bracket for most beneficiaries.

## Social Security and SSI amounts

On Oct. 10, 2019, the SSA [announced](#) that 2020 benefits will receive a 1.6% cost-of-living increase, reflecting the change in the third-quarter CPI for Urban Wage Earners and Clerical Workers (CPI-W) from 2018 to 2019. Other 2020 Social Security amounts are tied to the 3.6% increase in [average annual wages](#) from 2017 to 2018. The next table shows key Social Security values for 2018–2020 from SSA’s 2020 [fact sheet](#) and [automatic determinations](#) webpage.

## Summary of 2020 benefit-related cost-of-living adjustments

Social Security and SSI values	2020	2019	2018
Cost-of-living increase	1.6%	2.8%	2.0%
Average annual wage (second preceding year)	\$52,145.80	\$50,321.89	\$48,642.15
OASDI contribution and benefit base (wage base)	137,700	132,900	128,400
“Old law” contribution and benefit base	102,300	98,700	95,400
Retirement earnings test exempt amount (annual)			
Under full retirement age (full year)	18,240	17,640	17,040
Year individual reaches full retirement age (period before attaining full retirement age)	48,600	46,920	45,360
Wages needed for a quarter of coverage	1,410	1,360	1,320
Disability thresholds (monthly amounts)			
Substantial gainful activity — not blind	1,260	1,220	1,180
Substantial gainful activity — blind	2,110	2,040	1,970
Trial work period	910	880	850
Coverage thresholds for			
Domestic employees	2,200	2,100	2,100
Election workers	1,900	1,800	1,800
Bend-points — PIA formula applied to average indexed monthly earnings (AIME)			
90% of AIME up to	960	926	895
32% of AIME over first bend-point up to	5,785	5,583	5,397
15% of AIME over second bend-point			
Bend-points — maximum family benefit formula applied to worker’s PIA			
150% of PIA up to	1,226	1,184	1,144
272% of PIA over first bend-point up to	1,770	1,708	1,651
134% of PIA over second bend-point up to	2,309	2,228	2,154
175% of PIA over third bend-point			
SSI federal payment standard (monthly amounts)			
Individual	783	771	750
Couple	1,175	1,157	1,125

Social Security and SSI values	2020	2019	2018
SSI student exclusion limits			
Monthly limit	\$1,900	\$1,870	\$1,820
Annual limit	7,670	7,550	7,350

## Related resources

### Non-Mercer resources

- [Rev. Rul. 2020-2](#) (IRS, Jan. 3, 2020)
- [CC RI 19-17](#) (Puerto Rico Treasury, Dec. 30, 2019)
- [Medicare Part A Premiums for 2020](#) (Federal Register, Nov. 13, 2019)
- [2020 Medicare Part A Deductible and Hospital and Extended Care Services Coinsurance Amounts for 2019](#) (Federal Register, Nov. 13, 2019)
- [Medicare Part B Monthly Actuarial Rates, Premium Rates and Annual Deductible for 2020](#) (Federal Register, Nov. 13, 2019)
- [Rev. Proc. 2019-44](#) (IRS, Nov. 6, 2019)
- [Notice 2019-59](#), 2019 Contribution and Benefit Limits for Qualified Retirement Plans (IRS, Nov. 6, 2019)
- [Present Value of PBGC Maximum Guarantee Tables and Spreadsheet](#) (PBGC, Oct. 24, 2019)
- [PBGC Maximum Monthly Guarantees for Single-Employer Plans in 2020 and Earlier Years](#) (PBGC, Oct. 24, 2019)
- [Premium Rates](#) (PBGC, Oct. 11, 2019)
- [Social Security Announces 1.6 Percent Benefit Increase for 2020](#) (SSA, Oct. 10, 2019)
- [Fact Sheet: 2020 Social Security Changes](#) (SSA, Oct. 10, 2019)
- [Covered Employment for Social Security Credits](#) (SSA)
- [National Average Wage Index](#) (SSA)
- [Social Security Amounts Determined by Automatic Adjustment, 2010-2020](#) (SSA)

- [Q&As on ACA Employer Shared-Responsibility Provisions](#) (IRS, Sept. 11, 2019)
- [Part D Premium Adjustments](#) (CMS, July 30, 2019)
- [Rev. Proc. 2019-29](#) (IRS, July 22, 2019)
- [Rev. Proc. 2019-25](#) (IRS, May 28, 2019)
- [Retiree Drug Subsidy Cost Threshold And Cost Limit By Plan Year](#) (CMS, May 6, 2019)
- [HHS Notice of Benefit and Payment Parameters for 2020](#) (Federal Register, April 25, 2019)
- [Calendar-Year 2020 Part D Payment Policies](#) (CMS, April 1, 2019)
- [Notice 2018-83](#) (IRS, Nov. 1, 2018)
- [Notice 2015-87](#) (IRS, Dec. 16, 2015)

#### Mercer Law & Policy resources

- [2020 quick benefit facts](#) (Jan. 27, 2020)
- [2020 health FSA, other health and fringe benefit limits now set](#) (Nov. 13, 2019)
- [2020 Social Security, PBGC amounts and projected covered compensation](#) (Oct. 18, 2019)
- [Mercer projects 2020 IRA and saver's credit limits](#) (Aug. 16, 2019)
- [2020 qualified transportation, health FSA and Archer MSA limits projected](#) (Aug. 16, 2019)
- [2020 affordable percentage for employer health coverage shrinks](#) (July 23, 2019)
- [Mercer projects 2020 retirement plan limits](#) (June 20, 2019)
- [2020 health savings account, high-deductible health plan figures issued](#) (May 28, 2019)
- [2020 ACA cost-sharing caps set, play-or-pay penalties projected](#) (May 8, 2019)
- [HHS proposes 2020 cost-sharing limits, ESR penalties, more EHB changes](#) (March 1, 2019)

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