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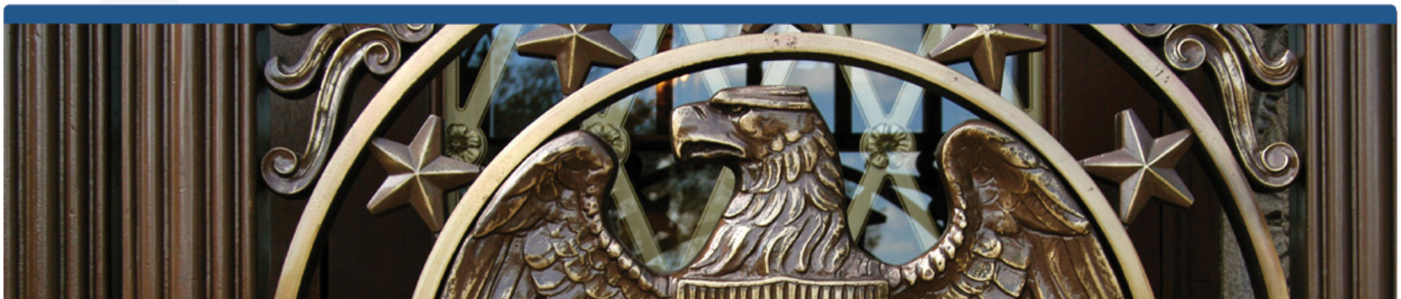
UBA ComplianceCenter



Compliance Recap

April 2014

The IRS has released the 2015 minimums and maximums that apply to health savings accounts (HSAs) and related high-deductible health plans (HDHPs). These increases occur annually based on a cost-of-living formula. Because the inflation rate is fairly low, the amounts have not increased very much -- the out-of-pocket maximum is increasing by $100 for single coverage and by $200 for family coverage. Both the minimum deductible and the maximum contribution are increasing $50 for single coverage and $100 for family coverage.

In 2014, the same out-of-pocket maximums applied for HDHPs linked to HSAs and to the Patient Protection and Affordable Care Act (PPACA) cost-sharing limit, but those maximums will differ in 2015. The PPACA limits are slightly higher ($6,600 single and $13,200 family) than the HSA/HDHP limits in 2015; HDHPs that are linked to HSAs will need to meet the lower, HSA maximum.

	2015 HSA	**2014 HSA**	**2015 PPACA** (non-grandfathered plans)	**2014 PPACA** (non-grandfathered plans)
Out-of-pocket maximum	$6,450 single $12,900 family	$6,350 single $12,700 family	$6,600 single $13,200 family	$6,350 single $12,700 family
Minimum deductible	$1,300 single $2,600 family	$1,250 single $2,500 family	None	None
Maximum	None	None	None (this	None (this

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deductible			requirement has been repealed)	requirement has been repealed)
Maximum contribution	$3,350 single $6,650 family	$3,300 single $6,550 family	None	None
Catch-up limit (age 55 or older)	$1,000 (unchanged)	$1,000	Not applicable	Not applicable

The out-of-pocket maximum includes deductibles, copayments and coinsurance, but not premiums. This is true for both the HSA and PPACA requirements.

Other cost-of-living adjustments that affect employers and plans, such as the health flexible spending account (FSA) limit, Social Security wage base, and qualified plan limits, will be provided by the government later this year.

Question of the Month

Q: May an employer charge smokers more than non-smokers?

A: Employers may charge smokers more than non-smokers, but they must do this as part of a wellness program. A smoking surcharge or non-smoker discount provided without a wellness program violates the health status non-discrimination rules of the Health Insurance Portability and Accountability Act (HIPAA). The wellness program requirements can be complicated, but basically the program must:

- Provide an opportunity to qualify at least annually
- Be designed to improve health
- Offer another way for the participant to avoid the smoker surcharge (or qualify for the non-smoker discount) and
- Publicize that an alternative way to qualify is available

As part of the health improvement requirement, the Department of Labor (DOL) has noted that it often takes people several tries before they successfully quit smoking. To support that process, employers must offer a "reasonable alternative" to smokers -- often this takes the form of a smoking cessation program -- and the alternative must be offered each year. Employees who complete the smoking cessation program must be given the non-smoker discount -- even if they do not quit smoking.

The maximum penalty or incentive based on smoking status is 50% of the cost of coverage (this includes both the employer and employee share). This means, for example, that if the total premium is $600, the smoker surcharge could be $300. If the non-smoker employee contribution is $100, the smoker rate (applicable only to smokers who do not complete the reasonable alternative) could be as much as $400.

A few states have special protections for smokers. An employer considering a smoker surcharge or a non-smoker discount should make sure their state does not have any special requirements. Often, a chamber of commerce will be able to provide this information.

4/28/2014