

May 14, 2024

A Summary of Certain 2025 Health and Welfare Benefit Plan Limits

Limits adjusted for the upcoming year

The IRS released [Rev. Proc. 2024-25](#) on May 9, 2024, containing the 2025 high deductible health plan (HDHP) and health savings account (HSA) annual limits. The U.S. Department of Health & Human Services also previously released the [2025 annual limits](#) for non-grandfathered medical plans subject to the Affordable Care Act (ACA).

The following limits apply to plan years beginning during the applicable calendar year. Limits for 2024 and 2025 are shown below for comparison purposes.

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Highlights

Overview

The IRS released updated 2025 inflation adjustments for various employee benefit plans, including:

- Affordable Care Act (ACA) plan design limits and annual limits for qualified high deductible health plans (HDHPs) and health savings accounts (HSAs)
- IRS limits for excepted benefit health reimbursement arrangements (EBHRAs)
- IRS adjustments to certain employer shared responsibility penalties under the ACA

The 2025 annual limits for health care flexible spending accounts (HCFSA), qualified transportation fringe benefits, and adoption assistance programs will appear later this year.

Employer Action

Employers sponsoring applicable health and welfare plan benefits in 2025 that are subject to these indexed adjustments should:

- Adjust accordingly for the upcoming plan year; and
- Make necessary updates to their administration systems, participant communications, etc.

ACA Limits		
Item	2024	2025
Out-of-Pocket Maximum Limit¹	Self-only: \$9,450 Family: \$18,900	Self-only: \$9,200 Family: \$18,400
Embedded Self-Only Out-of-Pocket Maximum Limit¹	\$9,450	\$9,200

High Deductible Health Plan (HDHP) Limits		
Item	2024	2025
HDHP Minimum Deductible	Self-only: \$1,600 Family: \$3,200	Self-only: \$1,650 Family: \$3,300
Minimum Embedded Ind. Deductible (if used)²	\$3,200	\$3,300
HDHP Out-of-Pocket Maximum Limit	Self-only: \$8,050 Family: \$16,100	Self-only: \$8,300 Family: \$16,600
Embedded Self-Only Out-of-Pocket Maximum Limit¹	\$9,450	\$9,200

Please note that although the above deductible and out-of-pocket maximum limits apply on a plan year basis based on when plan year began, the health savings account (HSA) contribution limits below will apply on a **calendar year** basis (regardless of the plan year for the underlying HDHP).

HSA Contribution Limits		
	2024	2025
HSA Annual Contribution Limit	Self-only: \$4,150 Family: \$8,300	Self-only: \$4,300 Family: \$8,550
HSA Catch-up Contribution Limit (age 55 and older)	\$1,000	\$1,000

2025 maximum amount for Excepted Benefit HRA

IRS Rev. Proc. 2024-25 also includes the 2025 revised annual contribution limit for Excepted Benefit HRAs. The maximum annual HRA contribution is \$2,150 for plan years that begin in 2025.

Excepted Benefit HRAs were created in late 2017 via a Presidential Executive Order. If it meets certain conditions, an Excepted Benefit HRA is exempt from the ACA's plan design mandates, allowing an employer to offer it on a standalone basis. Excepted Benefit HRAs may reimburse general medical expenses and premiums for COBRA, short-term limited duration insurance, and other excepted benefits coverage. Our previous [Alert](#) covers Excepted Benefit HRAs in more detail.

¹ This limit does not apply to plans that remain grandfathered under the ACA. Embedded self-only out-of-pocket maximum limits (OOPMs) are required for non-grandfathered plans with family OOPMs above the self-only ACA limit. A qualified HDHP plan must also satisfy this requirement.

² If an HDHP uses an embedded individual deductible for family coverage, the embedded individual deductible cannot be less than the annual statutory minimum family deductible to maintain qualified HDHP status.

Decrease to ACA employer mandate penalties

Section 4980H penalties

The ACA's employer shared responsibility mandate requires Applicable Large Employers (ALEs) to offer medical coverage to their full-time (FT) employees³ in order to avoid potential penalties.

- The Section 4980H(a) penalty (the “no offer” penalty) – This penalty is triggered when an ALE fails to offer minimum essential coverage to at least 95% of its FT employees for a month, and at least one FT employee receives a subsidy in the Public Health Insurance Marketplace (Marketplace) for that month. The “no offer” penalty calculation is:

$$(\text{The ALE's total number of FT employees} - 30) \times \text{4980H(a) penalty amount}^4$$

- The Section 4980H(b) penalty (the “inadequate offer” penalty) – This penalty is triggered when an ALE offers minimum essential coverage to at least 95% of its FT employees but fails to offer affordable and/or minimum value coverage to a FT employee who receives a subsidy in the Marketplace. The inadequate offer penalty is limited to the FT employees actually receiving subsidies.

The IRS listed the 2025 penalty amounts in [Rev. Proc. 2024-14](#). For comparison purposes, the 2024 and 2025 penalties are listed below. The 2024 affordability safe harbor is also listed below, but the 2025 affordability safe harbor percentage has not been released and will be announced later in 2024.

Coverage Offered In ⁵	Section 4980H(a) Penalty	Section 4980H(b) Penalty	Affordability Safe Harbor %
2024	\$247.50/month \$2,970/year	\$371.67/month \$4,460/year	8.39%
2025	\$241.67/month \$2,900/year	\$362.50/month \$4,350/year	[not yet announced]

Failure to Report Penalties

The [potential penalties](#) for failing to timely file the Forms 1094/1095 with the IRS and/or to deliver Forms 1095 B or C to required individuals are shown below. The penalties are per each late form.

Year forms due	Up to 30 days late	31 days late through August 1 st of year forms due	After August 1 st of year forms due	If intentional disregard to file
2024	\$60	\$120	\$310	\$630
2025	\$60	\$130	\$330	\$660

³ The offer must also include the FT employee's natural and adopted children under age 26 in order to count as an offer to the FT employee.

⁴ If the ALE is a member of a group of closely related employers, the 30 FT employee exclusion does not independently apply to each member. Instead, each member receives a share of the total exclusion based on its proportion of FT employees relative to the entire group.

⁵ Penalties are assessed on a calendar year basis while the applicable affordability safe harbor percentage applies to plan years beginning during each calendar year.

Still to come

The 2025 annual limits for health flexible spending accounts, qualified transportation benefits, and adoption assistance will appear later this year.

About the author



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