

May 5, 2025

A Summary of Certain 2026 Health and Welfare Benefit Plan Limits

Limits adjusted for the upcoming year

The IRS released [Rev. Proc. 2025-19](#) on May 1, 2025, containing the 2026 high deductible health plan (HDHP) and health savings account (HSA) annual limits. The U.S. Department of Health and Human Services also previously released the [2026 annual limits](#) for non-grandfathered medical plans subject to the Affordable Care Act (ACA). These separate ACA limits generally apply only to non-HDHPs, with a limited exception addressed later in this Alert.

The following limits apply to plan years beginning during the applicable calendar year. Limits for 2025 and 2026 are shown below for comparison purposes.

This Alert is relevant for all employers offering health coverage to their employees.

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Highlights

Overview

The IRS released updated 2026 inflation adjustments for various employee benefit plans, including:

- 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)

HHS earlier released certain 2026 plan design limits for non-grandfathered plans under the ACA.

IRS adjustments to the ACA's employer shared responsibility penalties and the affordability safe harbor percentage will appear later this year. The 2026 annual limits for health care flexible spending accounts (HCFsAs), qualified transportation fringe benefits, and adoption assistance programs will also appear later this year (typically during the fourth quarter).

Employer Action

Employers sponsoring applicable health and welfare plan benefits in 2026 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	2025	2026
Out-of-Pocket Maximum Limit¹	Self-only: \$9,200 Family: \$18,400	Self-only: \$10,150 Family: \$20,300
Embedded Self-Only Out-of-Pocket Maximum Limit¹	\$9,200	\$10,150

High Deductible Health Plan (HDHP) Limits		
Item	2025	2026
HDHP Minimum Deductible	Self-only: \$1,650 Family: \$3,300	Self-only: \$1,700 Family: \$3,400
Minimum Embedded Ind. Deductible (if used)²	\$3,300	\$3,400
HDHP Out-of-Pocket Maximum Limit	Self-only: \$8,300 Family: \$16,600	Self-only: \$8,500 Family: \$17,000
Embedded Self-Only Out-of-Pocket Maximum Limit¹	\$9,200	\$10,150

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

HSA Contribution Limits		
	2025	2026
HSA Annual Contribution Limit	Self-only: \$4,300 Family: \$8,550	Self-only: \$4,400 Family: \$8,750
HSA Catch-up Contribution Limit (age 55 and older)	\$1,000	\$1,000

2026 maximum amount for Excepted Benefit HRA

IRS Rev. Proc. 2025-19 also includes the 2026 revised annual contribution limit for Excepted Benefit HRAs. The maximum annual HRA contribution is \$2,200 for plan years that begin in 2026.

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.

Update to ACA employer shared responsibility penalties and affordability safe harbor percentage still pending

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. These penalties are calculated on a monthly basis.

- 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 calculated based only on the FT employees who actually receive subsidies.

The IRS has not announced the 2026 penalty amounts or affordability safe harbor percentage as of the publication date of this Alert. We expect the adjusted penalty amounts to appear shortly, and the affordability safe harbor percentage to be released later in 2025. The 2025 penalties and affordability safe harbors are listed below for reference purposes. We will provide an update once the 2026 information is available.

Coverage Offered In ⁵	Section 4980H(a) Penalty	Section 4980H(b) Penalty	Affordability Safe Harbor %
2025	\$241.67/month \$2,900/year	\$362.50/month \$4,350/year	9.02%
2026	[TBD]	[TBD]	[TBD]

Failure to report penalties

The [potential penalties](#) for failing to timely file correct 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. Please note that these are late penalties and subsequently filing missed forms does not automatically prevent the IRS from applying the penalties to an employer.

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
2025	\$60	\$130	\$330	\$660
2026	\$60	\$130	\$340	\$680

³ The offer must also include the FT employee’s natural and adopted children under age 26 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

In addition to the ACA employer shared responsibility penalties and affordability safe harbor percentage, we are still waiting for the 2026 annual limits for health flexible spending accounts, qualified transportation benefits, and adoption assistance. Those additional limits will be announced later this year and typically appear during the fourth quarter.

About the author



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