

Law &amp; Policy Group

GRIST



# Summary of 2022 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 and Medicaid Services (CMS) have issued 2022 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 2022 COLAs for benefit plans issued in the fall of 2021, as well as these recently published items: the 2022 limits for retirement plans qualified in Puerto Rico; the 2022 covered compensation tables from IRS; and the 2022 play-or-pay monthly contribution limit for noncalendar-year health plans using an affordability safe harbor based on the federal poverty level 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 2021-61](#) provides qualified retirement plan limits for 2022. Almost every key limit will rise significantly, reflecting the unusually large 5.34% increase in the third-quarter CPI from 2020 to 2021, the highest level of inflation as measured for this purpose since 1990. Only the catch-up contribution limits and the simplified employee pension (SEP) plan minimum compensation limit will stay the same. The following table shows the qualified retirement plan limits for 2020, 2021 and 2022 reflecting the rounding

rules in the Internal Revenue Code (IRC), along with unrounded 2022 values — calculated by Mercer — to facilitate projections.

IRC retirement plan limit	2022 (not rounded)	2022	2021	2020
Treas. Reg. § 1.401(a)(9)-6 limit on premiums paid for a qualified longevity annuity contract	\$146,250	\$145,000	\$135,000	\$135,000
401(k), 403(b) and eligible 457 plan elective deferrals (and designated Roth contributions)	20,849	20,500	19,500	19,500
414(v)(2)(B)(i) catch-up contributions to plans other than SIMPLE plans	6,950	6,500	6,500	6,500
408(p)(2)(E) SIMPLE plan elective deferrals	14,432	14,000	13,500	13,500
414(v)(2)(B)(ii) SIMPLE plan catch-up contributions	3,475	3,000	3,000	3,000
408(k)(2)(C) SEP plan minimum compensation	693	650	650	600
415(b) DB plan maximum annuity	246,272	245,000	230,000	230,000
415(c) DC plan maximum annual addition	61,568	61,000	58,000	57,000
401(a)(17) and 408(k)(3)(C) compensation	307,840	305,000	290,000	285,000
401(a)(17) compensation for eligible participants in certain governmental plans in effect July 1, 1993	454,780	450,000	430,000	425,000
414(q)(1)(B) highly compensated employee (HCE) and 414(q)(1)(C) top-paid group	139,104	135,000	130,000	130,000
416(i)(1)(A)(i) officer compensation for top-heavy plan key employee definition	200,096	200,000	185,000	185,000
Treas. Reg. § 1.61-21(f)(5) control employee for fringe benefit valuations				
Officer compensation	123,890	120,000	115,000	115,000
Employee compensation	247,780	245,000	235,000	230,000
409(o)(1)(C) tax-credit ESOP limits for lengthening the distribution period				
Five-year maximum balance	1,231,360	1,230,000	1,165,000	1,150,000
One-year extension	246,272	245,000	230,000	230,000

IRC retirement plan limit	2022 (not rounded)	2022	2021	2020
432(e)(9)(H)(v) systemically important multiemployer plan (billions)	\$1.220 B	\$1.220 B	\$1.176 B	\$1.135 B
664(g)(7) qualified gratuitous transfer of employer securities to an ESOP	56,316	55,000	50,000	50,000

## Puerto Rico qualified retirement plan limits

On Jan. 14, 2022, the Puerto Rico (PR) Treasury [announced](#) 2022 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	2022	2021	2020
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	20,500 <sup>†</sup>	19,500 <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	305,000	290,000	285,000
1081.01(a)(11)(A)(i) DB maximum annuity	245,000	230,000	230,000
1081.01(a)(11)(B)(i) DC maximum annual addition	61,000 <sup>§</sup>	58,000 <sup>§</sup>	57,000 <sup>§</sup>
1081.01(d)(3)(E)(iii)(IV) HCE threshold	135,000	130,000	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.

IRS [published](#) 2022 covered compensation tables on Jan. 5, 2022, reflecting the increase in the taxable wage base to \$147,000 for 2022 from \$142,800 for 2021. The published tables confirm Mercer's projections. 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
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

Year born	Social Security full retirement		Covered compensation	
	Age	Year	Not rounded	Rounded
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

This table shows the 2022 amounts for individuals below Social Security full retirement age, along with 2021 amounts.

Year born	Social Security full retirement		Covered compensation			
	Age	Year	Not rounded		Rounded	
			2022	2021	2022	2021
1955	66 & 2 months	2022	\$91,884	\$91,764	\$93,000	\$93,000
1956	66 & 4 months	2023	94,800	94,560	96,000	96,000
1957	66 & 6 months	2024	97,620	97,260	99,000	96,000
1958	66 & 8 months	2025	100,356	99,876	99,000	99,000
1959	66 & 10 months	2026	103,032	102,432	102,000	102,000
1960	67	2027	105,648	104,928	105,000	105,000
1961	67	2028	108,204	107,364	108,000	108,000
1962	67	2029	110,664	109,704	111,000	111,000

Year born	Social Security full retirement		Covered compensation			
	Age	Year	Not rounded		Rounded	
			2022	2021	2022	2021
1963	67	2030	\$113,124	\$112,044	\$114,000	\$111,000
1964	67	2031	115,524	114,324	117,000	114,000
1965	67	2032	117,864	116,544	117,000	117,000
1966	67	2033	120,108	118,668	120,000	120,000
1967	67	2034	122,232	120,672	123,000	120,000
1968	67	2035	124,260	122,580	123,000	123,000
1969	67	2036	126,156	124,356	126,000	123,000
1970	67	2037	127,932	126,012	129,000	126,000
1971	67	2038	129,648	127,608	129,000	129,000
1972	67	2039	131,340	129,180	132,000	129,000
1973	67	2040	132,960	130,680	132,000	132,000
1974	67	2041	134,472	132,072	135,000	132,000
1975	67	2042	135,888	133,368	135,000	132,000
1976	67	2043	137,172	134,532	138,000	135,000
1977	67	2044	138,324	135,564	138,000	135,000
1978	67	2045	139,464	136,584	138,000	138,000
1979	67	2046	140,616	137,616	141,000	138,000
1980	67	2047	141,672	138,552	141,000	138,000
1981	67	2048	142,620	139,380	144,000	138,000
1982	67	2049	143,484	140,124	144,000	141,000
1983	67	2050	144,300	140,820	144,000	141,000
1984	67	2051	145,104	141,504	144,000	141,000
1985	67	2052	145,680	141,960	147,000	142,800
1986	67	2053	146,208	142,368	147,000	142,800
1987	67	2054	146,604	142,644	147,000	142,800
1988	67	2055	146,880	142,800	147,000	142,800
1989+	67	2056+	147,000		147,000	

## PBGC premiums, guaranteed benefits and maximum present value

On Oct. 14, 2021, PBGC [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.

On Oct. 20, 2021, PBGC [announced](#) that the annual maximum guaranteed benefit starting at age 65 for plans terminating in 2022 will rise to \$74,455 from \$72,409 in 2021. 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 PBGC can recover other amounts from the plan sponsor.

PBGC amount	2022	2021	2020
Flat-rate premium — single-employer plans	\$88	\$86	\$83
Flat-rate premium — multiemployer plans	32	31	30
Variable-rate premium per \$1,000 of unfunded vested benefits	48	46	45
Per-participant variable-rate premium cap	598	582	561
Annual maximum guaranteed benefit (payable as a single-life annuity starting at age 65)	74,455	72,409	69,750

On Nov. 22, 2021, PBGC announced the [2022 present values of the PBGC maximum guarantee](#), which are used to administer Section 436 restrictions on lump sums and other accelerated payments. At all but the youngest ages, the present values will decrease slightly from 2021 levels, mainly because the August 2021 417(e) lump sum segment rates (0.66%, 2.50% and 3.12%) used to determine the 2022 present values are slightly higher than the August 2020 rates (0.52%, 2.22% and 3.03%) used to determine the 2021 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 2022 table for annuity starting dates in 2022, regardless of the plan year.

The next table shows the present values for 2022 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		
	2022*	2021†	2020‡		2022*	2021†	2020‡
25	\$310,890	\$312,953	\$227,914	56	\$863,380	\$861,626	\$734,107
26	320,653	322,514	236,193	57	893,271	891,196	763,193
27	330,723	332,367	244,772	58	924,061	921,538	793,333
28	341,112	342,523	253,664	59	955,827	952,725	824,609
29	351,830	352,993	262,881	60	988,660	984,837	857,118
30	362,888	363,787	272,436	61	1,028,142	1,022,944	893,387
31	374,300	374,917	282,341	62	1,067,809	1,061,192	930,697
32	386,077	386,394	292,611	63	1,107,766	1,099,682	969,175
33	398,233	398,232	303,261	64	1,148,162	1,138,552	1,008,989
34	410,779	410,441	314,304	65	1,189,022	1,177,804	1,050,190
35	423,729	423,033	325,755	66	1,270,985	1,259,089	1,124,309
36	437,095	436,020	337,629	67	1,356,977	1,344,382	1,202,280
37	450,889	449,412	349,940	68	1,456,589	1,443,188	1,292,654
38	465,126	463,224	362,708	69	1,567,577	1,553,281	1,393,511
39	479,822	477,469	375,947	70	1,687,681	1,672,416	1,502,901
40	494,990	492,162	389,678	71	1,898,943	1,881,892	1,694,086
41	510,650	507,320	403,921	72	2,089,626	2,070,996	1,867,664
42	526,816	522,957	418,694	73	2,259,633	2,239,596	2,023,451
43	543,510	539,093	434,021	74	2,408,927	2,387,670	2,161,349
44	560,750	555,748	449,927	75	2,537,641	2,515,318	2,281,345
45	578,561	572,942	466,437	76	2,965,213	2,939,144	2,671,083
46	601,805	597,048	487,603	77	3,343,502	3,314,077	3,017,919
47	625,517	621,531	509,324	78	3,673,339	3,640,928	3,322,352
48	649,714	646,402	531,619	79	3,955,911	3,920,868	3,585,157
49	674,411	671,676	554,512	80	4,192,727	4,155,461	3,807,542
50	699,628	697,369	578,029	81	5,221,335	5,174,996	4,751,490
51	725,389	723,498	602,197	82	6,113,857	6,059,695	5,575,176
52	751,707	750,075	627,041	83	6,877,479	6,816,572	6,284,334



Age	Present value of PBGC maximum guarantee			Age	Present value of PBGC maximum guarantee		
	2022*	2021†	2020‡		2022*	2021†	2020‡
53	\$778,622	\$777,134	\$652,603	84	\$7,517,070	\$7,450,520	\$6,882,581
54	806,166	804,708	678,925	85	8,042,600	7,971,207	7,378,136
55	834,382	832,835	706,056				

\* 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%.

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

## Saver's credit

[Notice 2021-61](#) 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 3.1% increase in the average chained CPI for the 12 months ending Aug. 31, 2021.

Saver's credit AGI limits (IRC § 25B)	2022	2021	2020
<b>50% saver's credit if AGI is no more than specified amount</b>			
Married filing jointly	\$41,000	\$39,500	\$39,000
Head of household	30,750	29,625	29,250
Other filing status	20,500	19,750	19,500
<b>20% saver's credit if AGI exceeds limit for 50% credit but is no more than specified amount</b>			
Married filing jointly	44,000	43,000	42,500
Head of household	33,000	32,250	31,875
Other filing status	22,000	21,500	21,250
<b>10% saver's credit if AGI exceeds limit for 20% credit but is no more than specified amount</b>			
Married filing jointly	68,000	66,000	65,000
Head of household	51,000	49,500	48,750
Other filing status	34,000	33,000	32,500

## Traditional and Roth IRA limits

Maximum 2022 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 2022 due to the 3.1% increase in the average chained CPI for the 12 months ending Aug. 31, 2021. 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 2022 IRA limits [announced](#) by IRS, along with the limits for the previous two years.

Traditional and Roth IRA limits	2022	2021	2020
<b>Traditional IRA deduction limits (IRC §§ 219(b)(5) and 219(g)(3)(B))</b>			
IRA maximum deductible amount	\$6,000	\$6,000	\$6,000
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)	109,000	105,000	104,000
Married filing separately*	0	0	0
Single or head of household	68,000	66,000	65,000
Spouse (but not taxpayer making IRA contribution) is active participant	204,000	198,000	196,000
<b>Roth IRA contribution limits (IRC § 408A(c)(3)(C)(ii))</b>			
AGI for determining maximum Roth IRA contribution			
Married filing jointly or qualifying widow(er)	204,000	198,000	196,000
Married filing separately*	0	0	0
Other filing status	129,000	125,000	124,000

\* 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 set earlier in the year. 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](#).

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

IRS [Rev. Proc. 2021-45](#) gives the 2022 limits for salary-reduction contributions to health FSAs; QSEHRAs; and qualified LTC policies, transportation fringe benefits and adoption assistance programs. The limits reflect the increase in the average chained CPI for the 12 months ending Aug. 31, 2021, except for the qualified LTC premium and per diem limits, which reflect the adjustment in only the

medical care component. After applying the Code's rounding rules, almost all limits have increased from 2021 except qualified LTC policy limits, which stayed the same or decreased slightly due to the small decrease in the medical care component of CPI from 2020 to 2021.

On May 10, 2021, IRS announced in [Rev. Proc. 2021-25](#) the 2022 maximum employer contribution for excepted-benefit HRAs. The limit reflects the increase in the average chained CPI for the 12 months ending March 31, 2021. After applying the Code's rounding rule, the limit has not changed.

Health FSA, excepted-benefit HRA, QSEHRA and LTC limits	2022	2021	2020
<b>Health FSA limit (IRC § 125(i))</b>			
Maximum salary reduction contribution	\$2,850	\$2,750	\$2,750
Maximum carryover	570	Unlimited*	Unlimited*
<b>Excepted-benefit HRA limit (26 CFR § 54.9831-1(c)(3)(viii)(B)(1))</b>			
Maximum employer contribution	1,800	1,800	1,800
<b>QSEHRA limit (IRC § 9831(d))</b>			
Maximum annual benefit			
Self-only coverage	5,450	5,300	5,250
Family coverage	11,050	10,700	10,600
<b>Qualified LTC policy limits (IRC § 213(d) and 7702B(d)(4))</b>			
Premium limits at age:			
40 or younger	450	450	430
41-50	850	850	810
51-60	1,690	1,690	1,630
61-70	4,510	4,520	4,350
Older than 70	5,640	5,640	5,430
Per diem limit	390	400	380

\* The 2021 Consolidated Appropriations Act permits unlimited carryovers of health FSA balances into the next plan year for plan years ending in 2020 and 2021. The indexed carryover amount is \$550 for both years. Any health FSA balances remaining on the last day of the plan year ending in 2022 will be subject to the indexed \$570 carryover limit.

## Qualified transportation fringe benefits and adoption assistance programs

The next table shows the 2022 adjusted figures for qualified transportation fringe benefits and adoption assistance programs set by [Rev. Proc. 2021-45](#), along with 2021 and 2020 amounts. The limits reflect the 3.1% increase in the average chained CPI for the 12 months ending Aug. 31, 2021. After applying the Code's rounding rules, all limits have increased since 2021.

Qualified transportation and adoption assistance limits	2022	2021	2020
<b>Tax-free qualified transportation fringe benefits (IRC § 132(f))</b>			
Monthly qualified parking, transit passes or commuter highway vehicle	\$280	\$270	\$270
<b>Qualified adoption assistance programs (IRC § 137)</b>			
Exclusion for child with special needs (regardless of expenses incurred)	14,890	14,440	14,300
Aggregate dollar limit for all tax years (child without special needs)	14,890	14,440	14,300
Phaseout begins at modified AGI of	223,410	216,660	214,520
Phaseout completed at modified AGI of	263,410	256,660	254,520

## HSA and HDHP limits

On May 10, 2021, IRS announced in [Rev. Proc. 2021-25](#) the 2022 inflation-adjusted amounts for HSA contributions, HDHP deductibles and HDHP in-network out-of-pocket (OOP) maximums. The limits reflect the 0.8% increase in the average chained CPI for the 12 months ending March 31, 2021. In 2022, tax-deductible/tax-free HSA contribution limits and HDHP in-network OOP maximums have increased for self-only and family coverage levels, while HDHP minimum annual deductibles are unchanged for the third straight year. The HSA catch-up contribution limit is set by statute and hasn't changed since 2009. The 2022 HDHP OOP maximums are lower than the corresponding [ACA limits for nongrandfathered group health plans](#). The next table shows the IRS limits for 2022 and the past two years.

HSA and HDHP limits (IRC § 223)	2022	2021	2020
<b>Self-only coverage</b>			
Maximum tax-deductible/tax-free HSA contribution	\$3,650	\$3,600	\$3,550
HDHP minimum annual deductible	1,400	1,400	1,400
HDHP out-of-pocket maximum	7,050	7,000	6,900
<b>Family coverage</b>			
Maximum tax-deductible/tax-free HSA contribution	7,300	7,200	7,100
HDHP minimum annual deductible	2,800	2,800	2,800
HDHP out-of-pocket maximum	14,100	14,000	13,800
<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 for benefit years 2015–2019 as well as 2022 and beyond 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.

The table below shows the 2020–2022 OOP limits on essential health benefits published in the annually updated HHS Notice of Benefit and Payment Parameters. The OOP maximums apply on a plan-year basis, so the 2022 limit will apply on the first day of the plan year starting in 2022.

ACA nongrandfathered group health plan out-of-pocket maximums	2022	2021	2020
Self-only coverage (and embedded individual maximum in family coverage)	\$8,700	\$8,550	\$8,150
Family coverage	17,400	17,100	16,300

## 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 annual employer play-or-pay shared-responsibility assessments for 2020 and 2021, and projected amounts for 2022, though the assessments are incurred and calculated monthly.

ACA employer play-or-pay assessments (IRC § 4980H)	2022*	2021	2020
Not offering coverage (4980H(a))	\$2,750	\$2,700	\$2,570
Offering coverage lacking minimum value or affordability (4980H(b))	4,120	4,060	3,860
* Projected.			

## ACA premium tax credit 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 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 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 2022 affordability limit is 9.61%, down from 9.83% in 2021 ([Rev. Proc. 2021-36](#)). The table below shows the 2020–2022 limits, which determine an employee's premium tax credit eligibility. The same limits apply to employees' spouses and dependents, even though affordability is tied to employee-only rates.

ACA premium tax credit eligibility and play-or-pay affordability percentages for employer coverage	2022	2021	2020
Top % of income for lowest-cost self-only coverage with minimum value	9.61%	9.83%	9.78%

While not offering affordable coverage creates the risk of play-or-pay assessments, most employers don't know employees' household incomes. As a result, a safe harbor definition of affordability for assessment purposes limits the employee cost for self-only, minimum-value employer coverage 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 person 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 next table shows the maximum required employee contribution that will satisfy that safe harbor in the 48 contiguous states and Washington, DC. Note that the amounts in the table apply on a plan-year, not calendar-year, basis. This means noncalendar-year plans will continue to use the 2021 level of \$105.51/month to determine FPL affordability until their 2022 plan year starts.

ACA affordable monthly employee contribution limit for play-or-pay FPL safe harbor (48 contiguous states and Washington, DC)	2022	2021	2020
Calendar-year plans	\$103.15*	\$104.53	\$101.79
Noncalendar-year plans	108.83	105.51	103.99

\* This is the first decrease in the FPL safe-harbor dollar amount for calendar-year plans. As a result, employers that use this safe harbor to set the employee contribution need to reduce the amount for the lowest-cost, self-only option for the 2022 plan year. Employers with noncalendar-year plans will not face the same issue, as the FPL safe-harbor dollar amount for those plans increased from 2021 to 2022.

## Medicare premiums, coinsurance, deductibles and Rx subsidy

On Nov. 12, 2021, CMS [released](#) the 2022 beneficiary premiums, deductibles and other cost-sharing amounts for Medicare Parts A and B. [Part A](#) monthly premiums will increase by nearly 6%, while annual deductible and coinsurance amounts will increase approximately 5%. The 2022 [Part B](#) annual deductible, standard monthly premium and income-adjusted monthly premiums paid by many individuals will rise. The 2022 [Part D](#) standard monthly premium, income-based premium adjustments and cost-sharing increase 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 2020–2022. (For more details 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	2022	2021	2020
Hospital inpatient deductible	\$1,556.00	\$1,484.00	\$1,408.00
Hospital daily coinsurance			
Days 61–90	389.00	371.00	352.00
Lifetime reserve days	778.00	742.00	704.00
Skilled nursing facility daily coinsurance	194.50	185.50	176.00



Part A — Hospital insurance	2022	2021	2020
Monthly premium			
Seniors and certain people with disabilities under age 65 with fewer than 30 quarters of coverage	\$499.00	\$471.00	\$458.00
Seniors with 30–39 quarters of coverage and certain people with disabilities who have at least 30 quarters of coverage	274.00	259.00	252.00

## 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 2020–2022.

Part B — Medical insurance	2022	2021	2020
Annual deductible	\$233.00	\$203.00	\$198.00
Standard monthly premium	170.10	148.50	144.60

The next table lists the Part B monthly premiums for 2020–2022, 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 2020 (the top bracket will be adjusted for inflation starting in 2028).

Part B — Medical insurance monthly premiums					
2022		2021		2020	
Annual income	Monthly premium	Annual income	Monthly premium	Annual income	Monthly premium
Single					
\$0 – \$91,000*	\$170.10	\$0 – \$88,000*	\$148.50	\$0 – \$87,000*	\$144.60
91,001 – 114,000	238.10	88,001 – 111,000	207.90	87,001 – 109,000	202.40
114,001– 142,000	340.20	111,001 – 138,000	297.00	109,001 – 136,000	289.20
142,001 – 170,000	442.30	138,001 – 165,000	386.10	136,001 – 163,000	376.00
170,001 – 499,999	544.30	165,001 – 499,999	475.20	163,001 – 499,999	462.70
500,000 or more	578.30	500,000 or more	504.90	500,000 or more	460.50

Part B — Medical insurance monthly premiums					
2022		2021		2020	
Annual income	Monthly premium	Annual income	Monthly premium	Annual income	Monthly premium
Married filing jointly					
\$0 – \$182,000*	\$170.10	\$0 – \$176,000*	\$144.60	\$0 – \$174,000*	\$144.60
182,001 – 228,000	238.10	176,001 – 222,000	202.40	174,001 – 218,000	202.40
228,001 – 284,000	340.20	222,001 – 276,000	289.20	218,001 – 272,000	289.20
284,001 – 340,000	442.30	276,001 – 330,000	376.00	272,001 – 326,000	376.00
340,001 – 749,999	544.30	330,001 – 749,999	462.70	326,001 – 749,999	462.70
750,000 or more	578.30	750,000 or more	504.90	750,000 or more	460.50
Married filing separately					
0 – 91,000*	170.10	0 – 88,000*	148.50	0 – 87,000*	144.60
91,001 – 408,999	544.30	88,001 – 411,999	475.20	87,001 – 412,999	462.70
409,000 or more	578.30	412,000 or more	491.60	413,000 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 2020–2022 Part D standard [benefits](#), [RDS benefits](#) and the monthly Part D base premium.

Part D benefits and RDS amounts	2022	2021	2020
Standard Part D benefit			
Deductible	\$480.00	\$445.00	\$435.00
Initial coverage limit	4,430.00	4,130.00	4,020.00
Out-of-pocket threshold	7,050.00	6,550.00	6,350.00
Total covered Part D drug out-of-pocket threshold: out-of-pocket threshold + 75% (initial coverage limit – deductible)	10,012.50	9,313.75	9,038.75

Part D benefits and RDS amounts	2022	2021	2020
<b>Standard Part D benefit</b>			
Minimum cost-sharing for catastrophic coverage			
Generic/preferred	\$3.95	\$3.70	\$3.60
Other	9.85	9.20	8.95
<b>Retiree drug subsidy (RDS)</b>			
Cost threshold (Part D deductible)	480.00	445.00	435.00
Cost limit	9,850.00	9,200.00	8,950.00
Maximum subsidy per retiree: 28% × (cost limit – cost threshold)	2,623.60	2,451.40	2,384.20
<b>Monthly Part D premium</b>			
Base beneficiary premium (national average Part D premium)	33.37	33.06	32.74

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 2020–2022 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					
2022		2021		2020	
Annual income	Monthly adjustment amount	Annual income	Monthly adjustment amount	Annual income	Monthly adjustment amount
<b>Single</b>					
\$0 – \$91,000*	\$0.00	\$0 – \$88,000*	\$0.00	\$0 – \$87,000*	\$0.00
91,001 – 114,000	12.40	88,001 – 111,000	12.30	87,001 – 109,000	12.20
114,001 – 142,000	32.10	111,001 – 138,000	31.80	109,001 – 136,000	31.50
142,001 – 170,000	51.70	138,001 – 165,000	51.20	136,001 – 163,000	50.70
170,001 – 499,999	71.30	165,001 – 499,999	70.70	163,001 – 499,999	70.00
500,000 or more	77.90	500,000 or more	76.40	500,000 or more	77.40

Part D income-related monthly adjustment amounts					
2022		2021		2020	
Annual income	Monthly adjustment amount	Annual income	Monthly adjustment amount	Annual income	Monthly adjustment amount
<b>Married filing jointly</b>					
\$0 – \$182,000*	\$0.00	\$0 – \$176,000*	\$0.00	\$0 – \$174,000*	\$0.00
182,001 – 228,000	12.40	176,001 – 222,000	12.30	174,001 – 218,000	12.20
228,001 – 284,000	32.10	222,001 – 276,000	31.80	218,001 – 272,000	31.50
284,001 – 340,000	51.70	276,001 – 330,000	51.20	272,001 – 326,000	50.70
340,001 – 749,999	71.30	330,001 – 749,999	70.70	326,001 – 749,999	70.00
750,000 or more	77.90	750,000 or more	76.40	750,000 or more	77.40
<b>Married filing separately</b>					
0 – 91,000*	0.00	0 – 88,000*	0.00	0 – 87,000*	0.00
91,001 – 408,999	71.30	88,001 – 411,999	70.70	87,001 – 412,999	70.00
409,000 or more	77.90	412,000 or more	77.10	413,000 or more	76.40

\* Income bracket for most beneficiaries.

## Social Security and SSI amounts

On Oct. 13, 2021, SSA [announced](#) that 2022 benefits will receive a 5.9% cost-of-living increase, reflecting the change in the third-quarter CPI for Urban Wage Earners and Clerical Workers (CPI-W) from 2020 to 2021. Other 2022 Social Security amounts are tied to the 2.8% increase in [average annual wages](#) from 2019 to 2020. The next table shows key Social Security values for 2020–2022 from SSA’s 2022 [fact sheet](#) and [automatic determinations](#) webpage.

Social Security and SSI values	2022	2021	2020
Cost-of-living increase	5.9%	1.3%	1.6%
Average annual wage (second preceding year)	\$55,628.60	\$54,099.99	\$52,145.80
OASDI contribution and benefit base (wage base)	147,000	142,800	137,700
“Old law” contribution and benefit base	109,200	106,200	102,300

<b>Social Security and SSI values</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Retirement earnings test exempt amount (annual)			
Under full retirement age (full year)	\$19,560	\$18,960	\$18,240
Year individual reaches full retirement age (period before attaining full retirement age)	51,960	50,520	48,600
Wages needed for a quarter of coverage	1,510	1,470	1,410
Disability thresholds (monthly amounts)			
Substantial gainful activity — not blind	1,350	1,310	1,260
Substantial gainful activity — blind	2,260	2,190	2,110
Trial work period	970	940	910
Coverage thresholds for			
Domestic employees	2,400	2,300	2,200
Election workers	2,000	2,000	1,900
Bend-points — PIA formula applied to average indexed monthly earnings (AIME)			
90% of AIME up to 32% of AIME over first bend-point	1,024	996	960
32% of AIME over first bend-point up to 15% of AIME over second bend-point	6,172	6,002	5,785
Bend-points — maximum family benefit formula applied to worker's PIA			
150% of PIA up to 272% of PIA over first bend-point	1,308	1,272	1,226
272% of PIA over first bend-point up to 134% of PIA over second bend-point	1,889	1,837	1,770
134% of PIA over second bend-point up to 175% of PIA over third bend-point	2,463	2,395	2,309
SSI federal payment standard (monthly amounts)			
Individual	841	794	783
Couple	1,261	1,191	1,175
SSI student exclusion limits			
Monthly limit	2,040	1,930	1,900
Annual limit	8,230	7,770	7,670

## Related resources

### Non-Mercer resources

- [Poverty guidelines for 2022](#) (HHS, Jan. 18, 2022)
- [CC RI 22-01](#) (Puerto Rico Treasury, Jan. 14, 2022)
- [Rev. Rul. 2022-2](#) (IRS, Jan. 5, 2022)
- [Present value of PBGC maximum guarantee tables and spreadsheet](#) (PBGC, Nov. 22, 2021)
- [Medicare Part A premiums for 2022](#) (Federal Register, Nov. 17, 2021)
- [Medicare Part A deductible and hospital and extended care services coinsurance amounts for 2022](#) (Federal Register, Nov. 17, 2021)
- [Medicare Part B monthly actuarial rates, premium rates and annual deductible for 2022](#) (Federal Register, Nov. 17, 2021)
- [2022 Medicare Parts A & B premiums and deductibles/2022 Medicare Part D income-related monthly adjustment amounts](#) (CMS, Nov. 12, 2021)
- [Rev. Proc. 2021-45](#), 2022 limits for health FSAs; QSEHRAs; and qualified LTC policies, transportation fringe benefits and adoption assistance programs (IRS, Nov. 10, 2021)
- [IRS provides tax inflation adjustments for tax year 2022](#) (IRS, Nov. 10, 2021)
- [Notice 2021-61](#), 2022 contribution and benefit limits for qualified retirement plans (IRS, Nov. 4, 2021)
- [Maximum monthly guarantees for single-employer plans in 2022 and earlier years](#) (PBGC, Oct. 20, 2021)
- [Premium rates](#) (PBGC, Oct. 14, 2021)
- [Social Security announces 5.9% benefit increase for 2022](#) (SSA, Oct. 13, 2021)
- [Fact sheet](#), 2022 Social Security changes (SSA, Oct. 13, 2021)
- [Rev. Proc. 2021-36](#), Maximum income percentage for ACA affordable coverage (IRS, Aug. 31, 2021)
- [Annual release of Part D national average bid amount and other Part C & D bid information](#) (CMS, July 29, 2021)
- [Rev. Proc. 2021-25](#), 2022 HSA, HDHP and employer contribution limit for excepted-benefit HRAs (IRS, May 10, 2021)
- [Final Notice of Benefit and Payment Parameters for 2022, Part 2](#) (Federal Register, May 5, 2021)

- [Announcement of calendar-year 2022 Medicare Advantage capitation rates and Part C and Part D payment policies](#) (CMS, Jan. 15, 2021)
- [RDS cost threshold and cost limit by plan year](#) (CMS, Jan. 15, 2021)
- [Covered employment for Social Security credits](#) (SSA)
- [National average wage index](#) (SSA)
- [Social Security amounts determined by automatic adjustment, 2012-2022](#) (SSA)
- [Q&A 55 on ACA employer shared-responsibility provisions](#) (IRS, Aug. 19, 2020)
- [Notice 2015-87](#) (IRS, Dec. 16, 2015)

## **Mercer Law & Policy resources**

- [2022 health FSA, other health and fringe benefit limits now set](#) (Nov. 11, 2021)
- [2022 quick benefit facts](#) (Nov. 10, 2021)
- [IRS sets 2022 retirement plan limits](#) (Nov. 4, 2021)
- [2022 Social Security, PBGC amounts and projected covered compensation](#) (Nov. 1, 2021)
- [Affordable percentage will shrink for employer health coverage in 2022](#) (Sept. 2, 2021)
- [2022 transportation, health FSA and Archer MSA limits projected](#) (Aug. 18, 2021)
- [Mercer projects 2022 IRA and saver's credit limits](#) (Aug. 18, 2021)
- [Mercer projects 2022 retirement plan limits will soar](#) (Aug. 17, 2021)
- [2022 ACA cost-sharing caps and other changes set; ESR penalties projected](#) (May 18, 2021)
- [2022 HSA, HDHP and excepted-benefit HRA figures set](#) (May 11, 2021)

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