



Health Care Reform

The Who, What and When

2010

- Insurers cannot impose pre-existing condition exclusions for children, remove coverage when a member becomes ill or impose lifetime coverage limits, and must cover preventive services.
- Uninsured individuals with pre-existing conditions can access coverage through a high-risk pool and dependent children can remain on their parents' plan until age 26.
- Employers can participate in a program to offer coverage for early retirees and their spouses.
- Medicare Part D enrollees receive \$250 rebate when entering the "doughnut hole" coverage gap.

2011

- Insurers must spend at least 80% of premiums on medical services.
- Medicare Part D enrollees get 50% discount on prescription drugs when in coverage gap.
- Federal tax on those who spend HSA dollars on ineligible expenses increases to 20 percent.
- OTC drugs (except insulin) without a prescription are no longer eligible expenses for FSAs, HRAs or HSAs.

2012-2013

- Medicare payroll taxes rise to 2.35% for those earning over \$200,000 (\$250,000 for families).
- There is an annual federal limit of \$2,500 for individual pretax contributions to an FSA.

2014

- Insurers cannot refuse to sell or renew policies, deny coverage for pre-existing conditions, set prices based on certain factors or impose annual limits.
- Most Americans are required to buy health insurance or pay fine of \$95 (up to \$295 per family). Penalties increase in 2015 and 2016.

2018

- 40% tax on high-cost employer-provided policies (\$10,200 individual, \$27,500 family).

2020

- Prescription drug coverage gap eliminated for Medicare Part D enrollees.



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Over-the-counter drugs and HSAs, HRAs, FSAs and MSAs

The health care reform legislation will bring changes to what is considered a qualified medical expense for FSAs, HSAs, HRAs and Archer MSAs.

- **Currently over-the-counter (OTC) medications are considered eligible medical expenses for reimbursement/distribution from:**
 - o **Health flexible spending accounts (FSAs)**
 - o **Health reimbursement arrangements (HRAs)**
 - o **Health savings accounts (HSAs)**
 - o **Archer medical savings accounts (Archer MSAs)**
- **Beginning January 1, 2011, OTC drugs will no longer be considered qualified medical expenses for any of those health accounts**
 - o **Insulin is the one exception to this rule**
 - o **For any other OTC drug, employees cannot use funds from any of those accounts, unless it is prescribed by a physician**
- **Currently, if employees use funds from an HSA or Archer MSA for non-qualified medical expenses, they are subject to an excise tax (10 percent for HSAs, 15 percent for MSAs).**
 - o **This tax increases to 20 percent on January 1, 2011.**