



THE HEALTH CARE REFORM

What it means for you and your employees



HEALTH CARE REFORM BILL PASSES

After months of debate, negotiations and national attention, Congress has passed a comprehensive health care reform bill. The provisions of this legislation are designed to take place over a number of years, starting as early as 2010.

While there is no doubt the health care reform will have a significant impact on medical insurance marketplace over the next couple of years, the impact on the benefits that Pierce Group Benefits provides will be minimal, particularly in the short term. We will keep close watch on the implementation of the health care reform bill as it unfolds and evolves and continually assess our product offerings to continue to offer the best benefits and prices.

We must stress that supplemental financial protection is still an important investment. The recently passed health care reform bill DOES NOT contain provisions for regulating the costs of medical care. Therefore, financial protection to fill in the gaps in medical coverage will be crucial in providing a safety net in the event of an accident or illness.

To read more about the health care reform, please visit www.healthreform.gov.

IN THE MOST BASIC FORM, THE NEW LEGISLATION WILL:

- Require most Americans to have health insurance
- Subsidize private coverage for low- and middle-income Americans
- Require many employers to offer coverage to employees or pay a penalty
- Set up a marketplace, or exchange, where consumers could shop for insurance meeting federal standards
- Make it easier for Americans to purchase and maintain medical insurance coverage

OVER-THE-COUNTER MEDICATIONS

Over-the-counter (OTC) drugs and medicines will no longer be eligible without a directive from a provider. This eliminates the ability to use your Health payment card to purchase these items.

- Note that not all items on the eligible products list will be affected. Only those items that represent drugs and medicines are expected to be precluded from tax-free reimbursement.

ITEMS AFFECTED

- Acid Controllers
- Allergy & Sinus
- Antibiotic Products
- Anti-Diarrheals
- Anti-Gas
- Anti-Itch & Insect Bite
- Anti-Parasitic Treatments
- Baby Rash Ointments/Creams
- Cold Sore Remedies
- Cough, Cold & Flu
- Digestive Aids
- Feminine Anti-Fungal/Anti-Itch
- Hemorrhoidal Preps
- Laxatives
- Motion Sickness
- Pain Relief
- Respiratory Treatments
- Sleep Aids & Sedatives
- Stomach Remedies

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Implementation Timeline (Key Elements)



2010	<ul style="list-style-type: none">• Limited caps on lifetime and annual maximums• Dependent children will be covered to age 26 if not eligible for coverage of their own• Individuals who are not able to purchase coverage due to health issues/conditions will have access through high risk pools (this provision will expire in 2014)• Insurers will not be able to rescind coverage if an individual gets sick• Children cannot be excluded due to pre-existing conditions• Tax credit for some small employers
2011	<ul style="list-style-type: none">• Employers and individuals can enroll in the CLASS Act• Employers must disclose value of health plans to employees on W2 forms• Increase to 20% the tax on non-qualified Health Savings Accounts and Medical Savings Accounts distributions (from 10%)• Insurers must spend 80 to 85% of premium dollars on health care (depending on employer size)
2013	<ul style="list-style-type: none">• Limits on Flexible Spending Account contributions to \$2,500, indexed to CPU (Consumer Price Index - urban)• Threshold for medical expense tax deduction increases to 7.5% to 10% for all but the elderly (who retain the 7.5% level through 2016)• Medicare payroll tax increase from 1.45% to 2.35% for individuals earning \$200k and families earning \$250k<ul style="list-style-type: none">- Also, 3.8% tax on some investment income for individuals above the same income levels
2014	<ul style="list-style-type: none">• Exchanges available (state based) for eligible individuals and small employers - coverage offered through exchanges will need to meet certain requirements• Credits available to individuals & families up to 400% of the Federal Poverty Level. Insurers not able to exclude anyone from coverage due to pre-existing conditions• Penalties for individuals not having insurance coverage<ul style="list-style-type: none">- \$95/person, \$285/family or 1% of income• Employers with 50+ employees who do not offer coverage will be required to pay a penalty of the lesser of:<ul style="list-style-type: none">- \$3,000 per employee receiving federal premium assistance; or- \$2,000 annual fee per employee for each full-time employee (minus the first 30 employees)
2015	<ul style="list-style-type: none">• Penalties for individuals not having insurance coverage<ul style="list-style-type: none">- \$325/person, \$975/family or 2% of income
2016	<ul style="list-style-type: none">• Employees and individuals may begin to receive benefits under the CLASS Act• Penalties for individuals not having insurance coverage can reach 2.5% of income
2018	<ul style="list-style-type: none">• 40% excise tax on insurers when aggregate premiums are in excess of \$10,200/\$27,500• Dental and vision plans are excluded (as are disability, life and post-tax voluntary benefits)