



Healthcare Reform and Tax Advantage Employee Benefits

The following charts outline elements of the changes to Flexible Spending Accounts (FSA), Health Reimbursement Arrangements (HRA), and Health Savings Accounts (HSA) as contained in the Patient Protection and Affordable Care Act, as well as the addition of the SIMPLE Cafeteria Plan for Small Businesses.

H.R. 3590 Senate Health Bill **PASSED 3/21/2010**

ITEM	CAP/LIMIT	EFFECTIVE	WHAT IT MEANS TO YOU
<p>FSA Cap</p> <p>Cap on employee contributions to a medical Flexible Spending Account (FSA).</p>	<p>\$2,500</p> <p>With indexing for inflation occurring for future years.</p>	<p>January 1, 2013</p> <p>(Indexed beginning 2014)</p>	<ul style="list-style-type: none"> ■ Medical expenses only. Dependent care and other accounts remain unchanged. ■ Not a significant immediate effect; less than 20% of FSA participants contribute more than \$2,000/year. ■ Cap is per individual, not tax-filing status. A husband and wife each working at two different companies may both partake in their company's FSA Plan at the \$2,500 cap, potentially providing them with a total of \$5,000 in FSA contributions. ■ The addition of indexing for inflation is considered a win for participating employees; however, if healthcare costs continue to increase at a faster rate than the CPI +1%, any caps/limits may pose a more significant impact.
<p>Excise Tax</p> <p>Cap on high cost (Cadillac) employer-sponsored health coverage with excise tax for exceeding the cap/limit.</p>	<ul style="list-style-type: none"> ■ \$10,200 Self-only ■ \$27,500 Family ■ 40% excise tax for exceeding these limits ■ Dental and vision not included. ■ Subject to cost-of-living 	<p>2018</p>	<ul style="list-style-type: none"> ■ Total healthcare benefits proposed to include all health premiums and other tax-advantage contributions from FSAs, HSAs, and HRAs. ■ Excise tax is higher than originally anticipated; the affect depends per individual on employer-sponsored premiums (regardless of who pays for the premiums), on HSA, HRA, or FSA, and on other healthcare expenses included under the total. (Disability and long-term care are not included.) ■ For individuals receiving retiree coverage at age 55 or over, or for an employee who participates in a plan for high-risk professions (\$11, 850 and \$39,950 respectively). ■ Additional adjustments will be made each year through 2015 for "high cost states"



	adjustment + 1%		<p>(17, determined by the Secretary of Health and Human Services).</p> <ul style="list-style-type: none"> ▪ The low indexing rate may pose a more significant impact as we move forward. <p>If healthcare costs continue to increase at a faster rate than the CPI +1%, any caps/limits may pose a more significant impact.</p> <p>* Defined as: law enforcement officers, fire-fighters, rescue or ambulance crew, construction, mining, agriculture, forestry, and fishing industries.</p>
Elimination of over-the-counter (OTC) expenses.		January 1, 2011	<ul style="list-style-type: none"> ▪ Account distributions will be limited to prescription drugs and insulin. ▪ Will need to acquire a prescription to purchase OTC items as eligible expenses. ▪ Removal of the OTC deduction would generally return FSAs to pre-2003 status.
HSA penalty tax increase.	20% of the disbursed amount	January 1, 2011	<ul style="list-style-type: none"> ▪ Penalty for purchasing non-eligible expenses with HSA funds would rise from 10% to 20% of the disbursed amount.
SIMPLE Cafeteria Plans for Small Businesses	<i>Benefit added in HR 3590 legislation</i>	January 1, 2011	<ul style="list-style-type: none"> ▪ Employers with fewer than 100 employees are eligible for a SIMPLE Cafeteria Plan. ▪ If, once the employer already has a SIMPLE Plan, the company grows up to 200 employees the employer may keep the Plan in place. ▪ The employer must either a) match FSA contributions of participating employees, or b) create a FSA account for all eligible employees and contribute a predetermined amount to each employee's account. ▪ By contributing to the healthcare accounts of their employees the employer no longer needs to complete a Form 5500 nor, and most importantly, is subject to non-discrimination testing. ▪ The main benefit of the SIMPLE Cafeteria Plan is that the employer and other highly-compensated employees may now fully participate in the Plan (unlike a standard FSA Plan). Eliminated are the limits to daycare, medical, or other applicable Plan contributions.