

HEALTH REFORM: Impact of Health Reform on Employees

As you know, health care reform has become law, officially called the Patient Protection and Affordable Care Act. This law has significant implications for companies that, like ours, offer health care coverage to employees and their families.

We know you have a lot of questions about how the legislation will impact your benefits. At this time, we must wait for additional guidance in the form of regulations to understand the full implications. The Department of Health and Human Services will issue more detailed guidance in the coming months.

In the meantime, we're examining the short-term and long-term requirements of the new law and how they'll impact the benefit programs we offer. We'll do our best not to overload you with details, but you'll need to pay more attention to your health care benefits this summer and in the years to come to keep up with the changes.

Some of the changes you'll see in the coming months and years in relation to your benefits are:

- » **Health benefits will evolve over the next decade.** Certain provisions of the new law will affect you as early as your next renewal date. However, most of the major provisions will not take effect until 2014 or even as late as 2018.
- » **Prevention will continue to be a focus.** With this new law, Congress agrees that all Americans should get recommended preventive tests and screenings. In the same spirit, starting in 2014, we'll have new flexibility to reward you for healthy behaviors through wellness program incentives.
- » **Certain benefit limits and exclusions are eliminated.** Starting in 2011, you'll begin to see lifetime limits and certain annual limits eliminated. Children under the age of 19 will have coverage regardless of any pre-existing health issues.

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- » **Dependent coverage is extended.** Starting in 2011, children are eligible for dependent coverage until the age of 26. To be eligible for this extended coverage, your child doesn't have to be a student, live with you, be a tax dependent or be unmarried. If your child has other employer-sponsored coverage through his or her work or a spouse's work, this extended coverage may not be available.
- » **Consumer Driven Health Care is restricted.** In 2011, over-the-counter drugs are no longer reimbursable under HSAs, FSAs, HRAs or Archer MSAs unless prescribed by a doctor. Also, the penalty for non-qualified expenses under an HSA will be increased to 20 percent from 10 percent. In 2012, there will be a \$2,500 cap on Medical FSA contributions.
- » **Our benefits team has more reporting and administration responsibilities.** The new law also includes additional reporting and administration requirements for employers. Much will happen behind the scenes but you can be assured your benefits will comply with the new laws.

As always, now and in the future, you need to be actively involved with your benefit program. While we continue to evaluate the legislation, please focus on what you can do today to get the most from your benefits. Again, we hope to have more details to you in the coming months.

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