

## Health Care Reform – Impact on FSAs & HRAs

The Patient Protection and Affordable Care Act (PPACA), HR 3590, was enacted on March 23, 2010, modified by the Health Care and Education Reconciliation Act (Reconciliation Act), H.R. 4872, enacted on March 30, 2010. These new regulations are extremely complex and will be subject to further interpretation and guidance respecting requirements, exceptions, effective dates, etc. Our summary below highlights only changes that directly impact your FSA or HRA.

### ***Effective for expenses incurred beginning January 1, 2011:***

Over-the-counter (OTC) drugs medicines and biologicals will no longer be eligible for reimbursement under an FSA, HRA or an HSA without a prescription from a provider for treatment of an existing medical condition. These items will be deleted from the list of qualified items that can be purchased using a Healthcare FSA debit card. The customer or participant may still be able to use their Health FSA or HRA funds by filing a claim if they obtain a letter of medical necessity from their physician, specifically prescribing this item. (Note: These OTC medicines currently account for 35% of the items on the OTC qualified list.)

It is important to note that only those items that represent drugs, medicines and biologicals are expected to be precluded from tax-free reimbursement. The items affected include such things as OTC medicines for allergy and sinus, pain relief, baby rash, cough, cold and flu, antibiotics, homeopathics, etc.

The list of qualified expenses used by merchants auto-adjudicating debit card purchases is currently under review. We will keep our current client card users informed as we know more.

### ***Effective in 2013:***

Health FSA salary reductions (participant contributions) will be limited to \$2,500 each year. We are awaiting further guidance interpreting this for non-calendar year plans. Regardless, your plan document may need to be updated by 2013 to reflect this change if your allowed limit is now greater than \$2,500.

### ***Effective in 2014 and Successive Years:***

The Health FSA salary reduction limit will be updated, indexed to the Consumer Price Index.

For further information, the main PPACS Location within the Employee Benefits Security Administration site can be accessed at the following URL -

<http://www.dol.gov/ebsa/healthreform/>

7 a.m. – 5 p.m.

Monday – Friday  
[www.tri-starsystems.com](http://www.tri-starsystems.com)

1-800-727-0182

Contact us:

## ARRA – Standings Today

**February 17, 2009:** The American Recovery and Reinvestment Act (ARRA) was enacted, providing for a 65% COBRA premium subsidy for a maximum of 9 months for involuntary terminations that occur between September 1, 2008 and December 31, 2009.

**December 19, 2009:** The Department of Defense Appropriations Act of 2010 extended the date of eligibility for the ARRA subsidy from 12/31/09 to 02/28/10, increased the maximum ARRA premium subsidy period from 9 to 15 months and clarified the eligibility definition to include those AEIs involuntarily terminated prior to 03/01/10 where coverage ends on 02/28/10.

**March 2, 2010:** ARRA was expanded yet again by the Temporary Extension Act (TEA). TEA extended the subsidy eligibility period for Qualifying Events from 02/28/10 through 03/31/10. An additional group of Qualified Beneficiaries qualify, also authorized by TEA, for those individuals experiencing a reduction in hours followed by an involuntary termination of employment that occurs on or after March 2, 1010.

**April 12, 2010:** The Senate, by a vote of 60 to 34, invoked cloture on the motion to proceed to H.R. 4851, the Continuing Extension Act of 2010. Among other items, ***H.R. 4851 provides a one-month extension of the COBRA premium subsidy through April 30, 2010. The extension would be retroactive until April 1.*** The Senate expects to take up the measure on Tuesday with a vote on final passage expected on Thursday. Four Republicans -- Senators Scott Brown (MA), Susan Collins (ME), Olympia Snowe (ME), and George Voinovich (OH) -- voted in favor of cloture on the motion to proceed.

We will provide additional information as it becomes available.