

Impact on Employees

Health Care Reform

January 2012

The impact of health care reform on employees, for 2010 through 2012

The past two years have been a steady stream of regulations and guidance as various governmental entities clarified employer's requirements under The Patient Protection and Affordable Care Act, commonly known as the health care reform law. While much of the implementation phase of the law is already underway, the aspect of the legislation that will affect you as an individual, known as the individual mandate, is entrenched in the United States court system. In fact, the U.S. Supreme Court announced that it will look at the constitutionality of the individual mandate, and could make a decision as early as June 2012.

In the meantime, employers must continue to implement and comply with the requirements of the law. This summary focuses on the changes that have already occurred and that will occur in the benefit programs we offer. We encourage you to pay more attention to your health care benefits so you can keep up with the changes.

Some of the changes that you've already seen incorporated into your benefits are:

- **Provisions for nursing mothers:** Employers across the country must provide a place, other than a bathroom, that is private and free from intrusion from co-workers for mothers to express breast milk for up to a year following the birth of a child. Some states provide even greater protection for employees.
- **Allowance of preventive measures:** Most plans will allow for recommended preventive tests and screenings to be performed, with no cost-sharing required.
- **Elimination of certain benefits limits and exclusions:** Lifetime limits on certain essential health benefits were eliminated, and annual limits on essential health benefits will increase until they are eventually phased out in 2014. Also, individuals under age 19 can get coverage regardless of any pre-existing health conditions.
- **Dependent coverage extensions:** Now children up to age 26 can get coverage through a parent's employer's coverage, regardless of whether the child is a student, lives with the parent, is a tax dependent or is married. If your child has other employer-sponsored coverage through his or her job or a spouse's job, this extended coverage may not be available.
- **Restriction of consumer-driven health care:** You may no longer be reimbursed for over-the-counter medicines or drugs (other than insulin) under your health savings account (HSA), health flexible spending arrangement (FSA), health reimbursement arrangement (HRA) or Archer medical savings account, unless your doctor has written you a prescription. Additionally, any payment of nonqualified medical expenses under your HSA is penalized at 20 percent on your personal income taxes, up from 10 percent. These changes were effective Jan. 1, 2011.

Some of the changes you will see in the next two years are:

- **Summary of benefits and coverage:** A new summary of benefits and coverage is going to be provided once guidance is issued on this requirement. Employers will be required to use a standard template, which will allow family members to easily compare all the plans available to them. Sample health situations, such as having a baby, treating breast cancer and managing diabetes, are all outlined so you and your family will be able to understand how much insurance protection you might get from different plans.
- **Employer W-2 reporting:** Starting with 2012 compensation, large employers must begin reporting information concerning an employee's insurance benefits on the employee's Form W-2, issued in 2013. Smaller employers will not have to comply with this requirement until guidance is issued. This reporting is done only so that you understand the value of benefits provided to you, and will not result in additional taxation.
- **Cap on health FSA:** If employers offer a health FSA, then beginning on Jan. 1, 2013, there will be a cap of \$2,500 on how much you can set aside. We are still waiting on guidance from the Internal Revenue Service as to how this cap will affect members of the same family, and we will keep you informed of this change in benefits.
- **Exchange notice requirement:** As of March 1, 2013, employers will be required to provide a notice to employees informing you of the existence of the insurance exchanges that will serve as a marketplace to buy insurance coverage. The notice will also describe the availability of tax credits and premium subsidies for qualified individuals.

Additional major provisions will go into effect in 2014, and continue through 2018, but these are the provisions that you have already seen or will see in the next couple of years. As always, you need to be actively involved with your benefit program. Much will happen behind the scenes, but you can be assured your benefits will comply with the new laws. While we continue to evaluate the legislation, please focus on what you can do today to get the most from your benefits.

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