

Health Care Reform Summary

Effective for plan years beginning on or after September 23, 2010 (six months from date of enactment), here are ***some of the major provisions*** that will affect your plans. For most of you, that would be January 1, 2011 and after. Other provisions will not take effect until a later date and we will continue to update you as more information is available.

- Lifetime limits: Plans may not impose lifetime limits on the dollar value of benefits for any participant or beneficiary for those benefits that are deemed to be “essential health benefits”.
- Annual limits prior to 2014: Plans may set only a “restricted annual limit” on benefits deemed to be “essential health benefits”; the Secretary of HHS will define what these limits may be.
- Preexisting condition exclusion: For enrollees under age 19, group health plans may not impose any preexisting condition exclusion.
- Coverage of adult dependents up to age 26: For plan years beginning on or after September 23, 2010, and through plan years beginning before 2014, a group health plan that offers family coverage must make dependent coverage available for an adult child (regardless of marriage status) until the child turns age 26, provided the child is NOT eligible to enroll in another group health plan; amounts spent for medical care for these children will not be included in the parent’s taxable income through the end of the taxable year in which the child has not yet turned 27.
- Coverage for preventive services: Plans must provide certain preventive services and may not impose cost-sharing on these benefits.

Effective 90 days after enactment, small businesses with fewer than 25 employees and average wages of less than \$50,000 could qualify for a tax credit of up to 35% of the cost of employees' premiums. There are no details yet on how these small businesses will receive the credit, but they should be published sometime this month. This tax credit may increase in 2014.

Effective for taxable years beginning after 2010 (in other words, plan years beginning January 1, 2011), the nontaxable reimbursement of over-the-counter drugs from FSAs, HSAs and HRAs will be eliminated.

Also effective in 2011, the penalty for use of funds from a Health Savings Account for items other than qualified medical expenses will increase from 10% to 20% for anyone under age 65.

Also, for more information on the implementation timeline, please visit the following website:

[Health Care Reform Implementation Timeline](#) (Source: Mintz Levin)

If you have questions, please contact your Healey account manager.