



SABC FLEXNews **March 26, 2010**

SOUTHERN ADMINISTRATORS AND BENEFIT CONSULTANTS, INC.

P.O. BOX 2449 * MADISON, MS 39130 601-856-9933 1-800-844-2555

HEALTH CARE REFORM IS SIGNED INTO LAW AND EFFECTS YOUR CAFETERIA PLAN

On March 23, 2010, President Obama signed into law sweeping health care reform that will have an effect on your Cafeteria Plan along with the many other government mandates. This legislation is thousands of pages long and we are only beginning to understand all the language and how it will impact you and your plan. Here is what we do know:

- * Beginning January 1, 2011, over-the-counter (OTC) drugs will no longer be eligible to be reimbursed under your Unreimbursed Medical spending account, HSA and/or HRA. Historically, with regulation changes, plans have been allowed to complete their plan year under the laws that were in effect at the time of enrollment. However, legal counsel has informed us that they do not believe that this will be the case under this reform. If this is indeed the case, and your plan is not a calendar year plan, employees should be informed to make their OTC purchases prior to December 31, 2010.
- * Beginning January 1, 2013, Unreimbursed Medical spending accounts must be capped at \$2,500.00 (indexed for inflation). All plans will have to be adjusted to reflect the new maximum.
- * Beginning January 1, 2018, a 40% excise tax will be imposed on health care if the aggregate cost of the plan(s) more than \$10,200 for individual coverage and \$27,500 for family coverage. This includes the amounts sheltered under a Unreimbursed Medical spending account. It appears that the aggregate cost of the plan(s) will be determined similar to COBRA. The tax will be payable by “the insurer” (the insurance company or the employer or the plan administrator in case of self insurance or other non-insurance company coverage like a Unreimbursed Medical spending account).

With any new sweeping legislation, the devil is in the details, and with this reform there are a lot of details. As they are analyzed, we will keep you informed of the other issues that may effect your plan.