



Employer Bulletin

April 2010

In this issue:

- **Healthcare Reform and Spending Accounts**
- **Benny Card Now Accepted at Costco**
- **COBRA Subsidy Extended Again**

Healthcare Reform and Spending Accounts

The *Patient Protection and Affordable Care Act* signed into law last month impacts Healthcare Flexible Spending Accounts (FSA), Health Reimbursement Arrangements (HRA) and Health Savings Accounts (HSA) beginning in January 2011. Though there are changes on the horizon, many of the details on how these will be implemented will be forthcoming. We will keep you up to date as we learn more. Here's what we know right now:

1. Beginning January 2011, most over-the-counter (OTC) medicines and biologicals will no longer be eligible for a spending account without a prescription from a medical provider. Items such as cough medicines, pain relievers, allergy medicines, acid controllers, and diaper rash ointment will no longer be reimbursed unless there is a doctor's prescription submitted along with the reimbursement request. (Insulin will remain eligible as a tax-free reimbursement without a prescription.)

The impact:

- Participants will not be able to purchase these items using their Benny Card. They will have to submit a manual claim including the prescription in order to be reimbursed for these items.
- The change applies to the tax year, not the FSA or HRA plan year. Therefore, FSA and HRA plan years that cross the January 1 threshold will have a mid-year change in eligible expenses. Manley Services will be providing communication to members letting them know about the new regulations.
- The new regulation applies to when the expense was incurred, not when the claim was submitted. Expenses incurred on and after January 1, 2011 will require a doctor's prescription. Expenses incurred prior to January 1, 2011 will not.
- The IIAS (Inventory Information Approval System – the system that allows vendors to code products to be automatically approved at point of sale using the Benny Card) will not go away completely. SIGIS (Special Interest Group for IIAS Standards) estimates that about 35 percent of the IIAS list will be affected. Items like bandages,

first aid supplies, reading glasses, and blood pressure monitors will continue to be automatically approved when purchased with the Benny Card.

2. Beginning January 2013, the amount of contributions to health FSAs will be limited to \$2,500 per year.
3. Beginning in 2018, there will be a 40 percent excise tax on employment-based health plans whose premiums exceed \$10,200 for singles, \$27,500 for family plans, indexed for inflation. FSA contributions may be included in this total. We will need to wait and see how the regulations clarify this.

Benny Card Now Accepted at Costco Pharmacy and Vision Centers and Online at Costco.com

Effective immediately, MasterCard® prepaid benefits cards can be used to pay for FSA, HRA, and HSA eligible items at Costco pharmacy and vision center registers and online at Costco.com. Costco is utilizing IIAS to facilitate auto-substantiation at the point of purchase.

COBRA Subsidy Extended Again

The President signed into law the *Continuing Extension Act of 2010*. It extends eligibility for 65 percent subsidy for COBRA premiums through May 31, 2010 and provides transition relief for individuals who lost their jobs between March 31, 2010 and the date of enactment, April 15. This Act modifies the *American Recovery and Reinvestment Act of 2009* (ARRA).