Health Care Reform FAQs

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (PPACA). The following set of ‘frequently asked questions’ (FAQ) is designed to address the impact of the law on NRAO employees.

Health Care Coverage

1. What’s going to change with my NRAO health care coverage?

   The new law outlines the following requirements, to be implemented over the next couple of years. Additional provisions will be rolled out through 2018; however, things will continue to evolve over time as we learn more about the law and its long-term impact on employer sponsored health care plans. So we’re focusing only on the known, short-term changes right now.

   - January 1, 2011 Renewal
     - Dependent coverage up to a child’s 26th birthday, for children who don’t have access to other employer coverage. [NRAO will be modifying the employee premium structure to account for the corresponding increase in plan costs. Additional premiums will apply to employees who elect this expanded coverage.]
     - No lifetime dollar limits on coverage; your health plan can’t cap the total amount it will pay during your lifetime.
     - Restricted annual dollar limits on coverage for certain items (pending clarification of the law); no annual limits beginning in 2014
     - Preventive care covered at 100%. Definitions of preventive care will be determined by the Department of Health and Human Services.
     - No preauthorization required for emergency services (already part of AUI/NRAO plan).
     - No preauthorization or referral required for OB-GYN services (already part of AUI/NRAO plan).
     - No pre-existing condition exclusions for children under age 19; expanding to everyone in 2014 (already part of AUI/NRAO plan).
     - No tax-free reimbursements for non-prescribed items, such as over-the-counter medications, through Health Flexible Spending Accounts (FSAs), Health Savings Accounts (HSAs) or Health Reimbursement Arrangements (HRAs). (This will impact your NRAO FSA plan. See item 6 below.)
     - Higher penalty (20% rather than 10%) for using HSA distributions to pay for nonqualified expenses.
2. **Can I add my child who qualifies under the new law to my health care coverage this year?**
   Not yet. You may add your qualifying dependent(s) to your health care plan at the next annual enrollment period, as long as he/she is still under age 26, and does not have coverage available through his/her employer. This coverage will be effective January 1, 2011.

3. **Will I have to keep verifying that my child is a full-time student to keep him/her covered under my health care plan until he/she turns 26?**
   No, the new law allows you to cover your child even if he/she is not a full-time student, as long as he/she does not have coverage available through another employer.

4. **Does this new law mean that employers can or will stop offering health care coverage?**
   There is a great deal of speculation regarding the future of company provided health care plans. We expect our health care plan will undergo changes in the coming years as health care insurers and employers adapt to the new law. The long-term future of employer sponsored plans is not clear.

5. **I know the new law has an ‘individual coverage mandate’ that says everyone has to have health care coverage or pay a penalty. When does that take effect and what is the penalty for not having health insurance coverage?**
   The individual coverage mandate requires that every American has health care coverage starting in 2014. Most individuals who fail to maintain coverage will pay a penalty, generally calculated as the lesser of these amounts:
   
   - National average premium for the year, or
   - Greater of:
     - A percentage of income (up to 2.5% of household income above the income tax filing threshold in 2015), or
     - $95 in 2014, $325 in 2015, $695 in 2016 and indexed thereafter

   Additional information on individual coverage mandates will be announced as rules and regulations for administration are developed by the government.
6. I heard there are changes in what I can use my health care Flexible Spending Account (FSA) to buy. What are the changes? 
   The law changes the rules for what you can purchase with tax-free dollars, and takes effect in 2011. Specifically, you will no longer be allowed to purchase over-the-counter medications that don’t require a prescription, such as aspirin, ibuprofen, allergy medications, etc. These rules apply to the following accounts:

   – Health Care Flexible Spending Accounts (FSAs)
   – Health Savings Accounts (HSAs)
   – Medical plans
   – Health Reimbursement Accounts (HRAs)
   – Archer Medical Savings Accounts

Costs

7. Are there any tax changes that might affect me? 
   There are some tax changes that could affect certain employees, including:

   – 2010
      ▪ New 10% excise tax on indoor tanning services
   – 2011
      ▪ Health FSA, HSA and HRA funds can no longer be used tax-free for medicines that are not prescribed, such as over-the-counter drugs
   – 2013
      ▪ Medicare payroll tax on wages for employees with annual earnings over $200,000/individual and $250,000/couple increases from 1.45% to 2.35%
      ▪ New 3.8% Medicare tax on net investment income for taxpayers with adjusted gross incomes over $200,000/individual and $250,000/couple

8. I read that my contributions to a health care Flexible Spending Account (FSA) will be limited to $2,500. Is that true? 
   It’s true that health care FSA contributions will be limited to $2,500 starting in 2013. You can continue to contribute up to the maximum amount of $5,000 for 2011 and 2012.
9. Will Health Savings Accounts (HSAs) and Health Reimbursement Accounts (HRAs) have contribution limits in 2013 that are similar to the Health Care Flexible Spending Accounts (FSAs)?

No, the new contribution limits that will apply to health care Flexible Spending Accounts (FSAs) in 2013 are not currently intended to apply to Health Savings Accounts (HSAs) and Health Reimbursement Accounts (HRAs).

10. Can I continue contributing to a Health Care Flexible Spending Account (FSA) or Health Savings Account (HSA)?

Yes, employees can still contribute to an FSA or HSA (if enrolled in a high-deductible health plan). However, the maximum contribution to a health FSA will be $2,500 starting in 2013. The law does not change HSA contribution maximums.

Retiree Coverage

11. What are the changes to Medicare and when do they take effect?

The following changes will be made to Medicare:

– 2010
  ◦ Medicare Part D prescription drug “donut hole” (portion of drug costs not covered by Medicare) rebate; seniors hitting the donut hole (after reaching the $2,830 limit) will receive a $250 rebate; in 2020, the donut hole will close, meaning there will be no gap in coverage.

– 2011
  ◦ 50% discount on brand name drugs
  ◦ 7% discount on generic drugs; this discount increases 7% every year thereafter
  ◦ Free annual wellness exams and preventive tests

Over the next 10 years, Medicare Advantage Plans will lose $136 billion in subsidies, which means premiums could increase for these plans, and some plans could change benefits or service areas.