



Health Care Reform FAQs

For employees, retirees and COBRA participants

In late March 2010, President Obama signed into law the *Patient Protection and Affordable Care Act (PPACA)* and *Health Care Education Reconciliation Act (HCERA)*. The following questions and answers are designed to address the impact of the law's immediate changes.

Coverage

1. What's going to change with my City of Colorado Springs health care coverage and when?

The City's health care plans are considered "non-grandfathered" plans at this time. Therefore new regulations will affect the City's health plan. The new law contains the following requirements to be implemented this plan year. Additional provisions will be rolled out through 2018; however, since things will continue to evolve over time, we're focusing only on the immediate, short-term changes right now.

Effective date will be the beginning of the plan year, which is January 1, 2011

- Dependent coverage up to a child's 26th birthday
- No lifetime dollar limits on "essential" coverage, meaning your health plan can't cap the total amount it will pay during your lifetime; although regulators are expected to further refine this definition, the law sets out categories of coverage that are "essential":
 - Ambulatory patient services
 - Emergency services
 - Hospitalization
 - Maternity and newborn care
 - Mental health and substance use disorder services, including behavioral health treatment
 - Prescription drugs
 - Rehabilitative and habilitative services and devices
 - Laboratory services
 - Preventive and wellness services
 - Chronic disease management
 - Pediatric services, including oral and vision care
- Restricted annual dollar limits on "essential" coverage; no annual limits beginning in 2014
- No tax-free reimbursements for non-prescribed drugs or medicines, such as over-the-counter medications, through Health Flexible Spending Accounts (FSAs), Health Savings Accounts (HSAs), or Health Reimbursement Arrangements (HRAs)
- Higher penalty (20% rather than 10%) for using HSA distributions to pay for nonqualified expenses

2. Coverage for my dependent child, who is under age 26, ended when:

- He/she reached age 19 or

– **He/she stopped being a full-time student**

Can I now add my child to my health care plan?

The coverage will be effective January 1, 2011. You may enroll your child (biological, adopted or step-child) under the age of 26 on the Medical plan during the next open enrollment process (Fall 2010) with an effective date of coverage as January 1, 2011. You will also be able to enroll your child under the age of 26 on the Dental and Vision plans and on Aetna Voluntary Term Life Insurance (up to \$10k with no EOI). It is not required that your child be claimed on your federal taxes, he/she does not need to be a full-time student, and his/her marital status is not considered. The spouse and/or children of your married child is/are NOT eligible for health insurance coverage on the City's plans.

3. When does coverage end for dependent children?

The health insurance coverage will end on the last day of the month in which the child turns 26 and will then be eligible for COBRA coverage. Look for more information during 2011 Open Enrollment this fall. Those employees with a disabled adult child may remain on the City's health plan after age 26, provided that sufficient documentation is on file. See the Medical Plan Document for further details on this requirement.

4. 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.

5. What if my child is graduating from high school this year and is not going to college; or what if my child is graduating from college this year in the spring or summer, will they have to go on COBRA?

If your child is graduating in 2010, is between the ages of 19 and 24, and will no longer be in school; he/she is not allowed to remain on the City's health plans at this time. You may elect COBRA for your dependent child for the remainder of the 2010 calendar year if desired. You may then add your child back to the City's Medical, Dental, Vision, and Aetna Voluntary Life Insurance (up to \$10k without EOI) plans as of January 1, 2011 if they have not attained the age of 26. Children graduating in December 2010 will automatically be covered until the end of the month and will remain on the City's plan(s) as long as they are under the age of 26. They will automatically be dropped off any City plans at the end of the month in which they turn 26 and will then become eligible for COBRA coverage.

6. Can I add or drop my adult child to benefits at anytime?

As with any eligible dependent, you may only add or drop from coverage during the year if you have a qualifying event. Otherwise you may make changes during the annual Open Enrollment period.

7. Does this new law mean my employer can or will stop offering health care coverage?

Generally, we believe it will be in the City of Colorado Springs' best interest to continue to provide health care coverage to employees. However, the law may change the health care coverage landscape in the future and the City reserves the right to change or terminate health care benefits at any time.

8. 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 coverage?

The individual coverage mandate requires that most Americans have 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

9. I heard there are changes in what I can use my Health 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 as of January 2011. Over-the-counter medicines, such as aspirin, ibuprofen, allergy medications, etc., will not be reimbursable unless they are prescribed by a health care provider. Please check the Flores website at www.flores247.com for a more detailed list of over-the-counter medications.

10. Can I submit expenses for my child up to age 26 on my Flexible Spending Account even though they are not a dependent on my taxes?

Yes, under the new law starting January 1, 2011, you may submit receipts for all FSA allowable expenses for children up to age 26.

Costs

11. Are there any tax changes that might affect me?

There are some tax changes that could affect certain employees, including:

- **2011**
 - Health FSA 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

12. I read that my contributions to a Health Flexible Spending Account (FSA) will be limited to \$2,500. Is that true?

It's true that Health FSA contributions will be limited to \$2,500 starting in 2013. So, you can continue to contribute up to the maximum amount of \$6000 until then.

13. Will any of the changes affect the Reach Your Peak Program?

The Reach Your Peak: 3 Step Wellness Program will not be affected by Health Care Reform at this time. The Reach Your Peak: 3 Step Wellness Program is changing slightly for Year 7, but this is not due to Health Care Reform. Look for information coming soon about Reach Your Peak Year 7.

Retiree Coverage

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

Below are some of the many changes that will be made to Medicare (this only affects retirees who have Medicare insurance):

– **2010**

- Medicare Part D prescription drug “donut hole” 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 purchased in the “donut hole”; additional subsidies to begin in later years
- 7% subsidy on generic drugs purchased in the “donut hole”; this subsidy increases 7% every year thereafter
- Free annual wellness exams and no cost sharing on preventive services
- High-income Medicare beneficiaries (single federal income tax filers with incomes over \$85,000 per year) will pay more for Part D prescription drug coverage

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

14. What other things will change because of the Health Care Reform legislation?

There will be a lot of changes, but the government has not published many regulations at this time and the changes are incremental from year to year. We will keep you updated on any changes during Open Enrollment each year. There are not likely to be changes during the middle of a calendar year, but should this happen, we would notify all of our employees, retirees and COBRA participants in a timely manner.

15. I have more questions. Who may I contact with my additional questions?

Please contact CityBenefitsHelp@springsgov.com with any further questions that you may have about Health Care Reform.