FOOTHILL-DE ANZA
Community College District

Office of Human Resources and Equal Opportunity

Health Care Reform
An Update

October 28, 2010

A Message from Christine Vo, Benefits Manager

Beginning July 1, 2011, FHDA Benefits will start integrating into our health plans changes mandated by the federal Health Care Reform law. Some of these changes will affect decisions you need to make during Open Enrollment in the Spring 2011.

The new health care legislation includes numerous regulations, requirements and fees that become effective between 2011 and 2018. In light of these changes, the District will be carefully reviewing the design of its employee and retiree health plans, which may result in future changes to the plan selection and benefit levels.

This newsletter focuses on the changes you'll see starting July 1, 2011, but also touches on some of the long-term changes affecting FHDA Benefits.

Dependent Children Covered to Age 26

The Health Care Reform Bill requires medical plans to allow dependent children to remain covered under their parents' plan up to age 26. Beginning July 1, 2011, the age limit for dependents will be age 26 for medical, dental and vision coverage. During Open Enrollment you may enroll (or re-enroll) your dependent children who were previously dropped from coverage due to age limits or student status. Here are more details:

- Full-time student status is not required
- Dependent children do not have to live with you or depend on you for financial support to be eligible for coverage
- Once your dependent reaches age 26, he/she becomes eligible for COBRA, even if previously covered through COBRA
- The coverage does not extend to:
    - Your child's spouse or their children
    - Any dependent child over the age of 23 who is working and eligible for another employer-sponsored plan

No Lifetime Maximum on Medical Benefits

Medical plans will no longer have lifetime maximums on eligible expenses. Employees and retirees enrolled in any of the Self-Funded health plans administered by UnitedHealthcare: Exclusive Provider Organization (EPO), Preferred Provider Organization (PPO) and Out-of-Area (OOA) will have eligible expenses covered with no lifetime cap. FHDA's Kaiser Health Maintenance Organization Plan doesn't have lifetime limits, and will not be affected.

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Preventive Care Now Free

You will no longer have any out-of-pocket costs for annual preventive care. This includes the annual adult and child physical exams and well-woman visits.

Plans are required to provide coverage for: (1) U.S. Preventive Services Task Force (USPSTF) recommendations of "A" or "B"; (2) Immunizations recommended by the Advisory Committee on Immunization Practices (ACIP) of the Centers for Disease Control and Prevention (CDC); (3) Evidence-informed preventive care and screenings for infants, children, and adolescents as provided for the comprehensive guidelines supported by the Health Resources and Services Administration (HRSA); and (4) Additional preventive care and screening (with respect to women) provided for in comprehensive guidelines supported by the HRSA.

FSA Statutory Limit: Reimbursements for Over-the-Counter Medication Ends June 30, 2011

Effective July 1, 2011, you will no longer be able to use your health care spending account to be reimbursed for over-the-counter (OTC) medicines or drugs. Over-the-counter medications include common cold and allergy formulas, contact lens cleaner, wraps for sprains and first-aid supplies. These items will only be reimbursed if you can provide proof that your physician prescribed the use of over-the-counter medications or supplies.

W-2 Reporting

Beginning with the 2011 calendar year (i.e., W-2's filed January 2012), employers must begin to report the "value" of employer-provided health coverage on an employee's W-2 for information purposes only, but will not be considered taxable income.

Looking Ahead: Potential Excise Tax

Beginning 2018, excise tax of 40 percent could be imposed on plan sponsors on "high value" health plan ("Cadillac"). In general, the excise tax will work like this:

- For active employees the excise tax will apply to plan costs above $10,200 for single coverage, or $27,500 for family coverage (employee with one of more dependent).
- For retirees the excise tax will apply to plan costs above $11,850 for single coverage or $30,950 for family coverage (retiree with one of more dependent).

This excise tax is related to the *total premium* of the health benefit plan regardless of how the premium is allocated between plan sponsors and participants.

If health care inflation continues at-the-past levels, our health plan costs will be above the 2018 excise tax thresholds. Therefore, we will be exploring changes to the health care plans for employees and retirees over the next few years to reduce or avoid the impact of the excise tax. Please be advised that the financial impact relating to sharing of costs due to health care reform is subject to future negotiations with the various bargaining units and meet-and-confer groups.

Look for More Information During Open Enrollment

Look for your Open Enrollment newsletter in late March 2011 which will include the 2011 costs for all plans and additional information on these changes.