
Health-Care Reform: How Does It Affect You?

Now that comprehensive health-care reform has been signed into law, how will it affect you? While some portions of the law become effective in 2010, other provisions are phased in over time. Nevertheless, it is almost certain that at least some of these reforms will have an effect on you and your family.

How will health coverage change?

The health-care reform law contains provisions that expand benefits, improve access to health care, and protect the rights of consumers. Here are some of the changes that apply to most health plans (although some apply only to new, not existing, coverage).

- Plans must fully cover certain wellness and preventive care benefits (e.g., immunizations, cancer, diabetes, and heart disease screenings, smoking cessation programs)
- Plans can no longer charge more for out-of-network emergency care
- Plan can't impose lifetime or annual limits on health coverage
- Children can remain on a parent's health plan up to age 26
- Health coverage can't be rescinded due to illness (only for fraud or intentional misrepresentation)

Changes to employer-sponsored high-deductible health spending accounts aren't quite so favorable. For example, if you participate in a health flexible spending account (health FSA), health reimbursement account (HRA), health savings account (HSA), or Archer medical savings account (MSA), the cost of over-the-counter drugs not prescribed by your doctor are not considered a qualified medical expense (an exception applies for insulin). You'll pay an increased penalty tax of 20 percent on money you take out of your HSA or Archer MSA that isn't used for qualified medical expenses. And, contributions to health FSAs that are part of a cafeteria plan are limited to \$2,550 per year.

How will Medicare be affected?

Medicare beneficiaries are covered for most preventive and wellness care expenses without co-payments. If you're covered by Medicare Part D and you've been paying all of the cost of your prescriptions after reaching a minimum threshold, a situation referred to as the "donut hole," your out-of-pocket expenses are gradually decreasing until 2020, when the donut hole is completely filled. If you're a Medicare Advantage beneficiary, however, you may see some of the extra benefits offered by these plans dropped as government reimbursements to these plans are restructured and, in some cases, reduced. And, if your annual earnings are equal to or more than \$200,000 (\$250,000 for couples), your Medicare payroll tax is increased by 0.9 percent, and a Medicare tax of 3.8 percent is applied to some types of investment income, such as rent, capital gains, and annuity payments.

What if you don't have insurance?

If you don't have insurance, or if it's too expensive, the reform law may make it easier for you to get and keep health insurance. Insurers have to accept you regardless of your health history, and premiums can only vary based on tobacco use and age, not on health status or gender. If you don't have access to affordable health insurance through an employer, you can purchase coverage through state-based American Health Benefit Marketplaces. Premium and cost-sharing subsidies are available to individuals and families with incomes at or below 400 percent of the Federal Poverty Level (FPL), which reduces the cost of insurance purchased through a Marketplace.

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