

How Health Care Reform impacts your Health Savings Account (HSA)

Health Care Reform legislation, which was passed in March 2010, includes certain changes to the rules for HSA. Here's how your HSA is impacted and what you need to do.

1. You can cover dependents up to age to 26

Upon your health plan effective date after September 23, 2010, health plans that provide coverage for dependents of employees will be required to offer coverage to adult children of employees until they reach age 26. (Some employers may have begun offering this option as of March 30, 2010).

But, the tax law did not change the definition of a dependent for HSAs. You could have under your health plan an adult dependent child who is not a dependent for tax purposes. That means you'll pay a penalty plus taxes if you use the pretax dollars from your HSA to pay health expenses for your older covered dependent.

Here are some steps you can take to avoid tax issues:

- Your covered adult dependent child may open his or her own HSA and contribute up to the allowed family maximum (\$6,150 in 2010 and 2011.) To do so, call Member Services and ask for a Health Savings Account (HSA) Enrollment Form. Follow the instructions on the form. You also may continue to save up to the maximum family contribution amount in your own HSA.
- Cancel the AutoDebit feature if you have it. AutoDebit will automatically use your HSA to pay certain expenses regardless of whose expense it is for. To cancel AutoDebit, follow the instructions on the HSA AutoDebit link on your secure Aetna member website.
 - Return any dollars you've already used from your 2010 HSA funds to pay for the covered dependent's health care. If your employer already offers coverage to adult children to age 26 and you elected this coverage, you might have already used your HSA to cover bills for that dependent. You can avoid tax consequences by returning the funds to your HSA.

2. The penalty for non-qualified expenses is higher

Effective January 1, 2011, the penalty for using your HSA funds for non-qualified medical expenses will be increased from 10% to 20%. Funds used for non-qualified expenses are also subject to income tax. See your secure Aetna member website for a list of qualified HSA expenses or visit the IRS website at www.irs.gov for a copy of Publication 502.

3. You'll need a prescription to use HSA dollars to pay for over-the-counter medications

Right now, you can use your HSA to pay yourself back for all eligible over-the-counter (OTC) items, including medicines, with no restrictions.

Beginning January 1, 2011, you will need a doctor's prescription if you plan to use your HSA funds to pay for *OTC medications*. You will not need a prescription to use your HSA for other eligible OTC items like contact lens solutions and bandages.

Here is a current list of drug categories that will require a prescription:

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| <input type="checkbox"/> Acid Controllers | <input type="checkbox"/> Digestive Aids |
| <input type="checkbox"/> Allergy & Sinus | <input type="checkbox"/> Feminine Anti-Fungal/Anti-Itch |
| <input type="checkbox"/> Antibiotic Products | <input type="checkbox"/> Hemorrhoidal Preps |
| <input type="checkbox"/> Anti-Diarrheals | <input type="checkbox"/> Laxatives |
| <input type="checkbox"/> Anti-Gas | <input type="checkbox"/> Motion Sickness |
| <input type="checkbox"/> Anti-Itch & Insect Bite | <input type="checkbox"/> Pain Relief |
| <input type="checkbox"/> Antiparasitic Treatments | <input type="checkbox"/> Respiratory Treatments |
| <input type="checkbox"/> Baby Rash Ointments/Creams | <input type="checkbox"/> Sleep Aids & Sedatives |
| <input type="checkbox"/> Cold Sore Remedies | <input type="checkbox"/> Stomach Remedies |
| <input type="checkbox"/> Cough, Cold & Flu | |

