

## Health Care Reform and Tax Advantaged Employee Benefits

Following is a matrix including elements of the proposed to Flexible Spending Accounts (FSA), Health Reimbursement Arrangements (HRA), and Health Savings Accounts (HSA) as outlined in the America's Healthy Future Act of 2009. This matrix will be updated to reflect the most current amendments as they are released.

ITEM	CAP/LIMIT	WHAT IS INCLUDED	EFFECTIVE TIMEFRAME	WHAT IT MEANS TO YOU
<b>FSA Cap:</b> Cap on employee contributions to a <i>medical</i> Flexible Spending Account (FSA)	\$2,000	<ul style="list-style-type: none"> <li>■ Medical expenses only.</li> <li>■ Dependent Care and other accounts remain the same.</li> <li>■ Cap is per individual; not tax filing status.</li> </ul>	Unknown at this time.	<ul style="list-style-type: none"> <li>■ Not much effect; less than 20% of FlexSystem Participants contribute more than \$2,000 a year.</li> <li>■ A husband and wife each working at two different companies may both partake in their company's FSA Plan at the \$2000 cap, potentially providing them with a total of \$4000 in FSA contributions.</li> </ul>
<b>Excise Tax:</b> Cap on total tax-advantage healthcare benefits with excise tax for exceeding the cap/limit.	\$8,000 Single \$21,000 Family  35% excise tax	<ul style="list-style-type: none"> <li>■ Total health care benefits proposed to include all pre-tax health premiums and other tax-advantage contributions.</li> <li>■ Penalty for exceeding the cap is 35% of the amount that exceeds the threshold.</li> </ul>	Unknown at this time.	<ul style="list-style-type: none"> <li>■ The excise tax percentage is higher than we anticipated, but may not be a complete loss for taxpayers.</li> <li>■ It remains to be seen if a tax value for benefit amounts that exceed the limit will actually exist.</li> </ul>
Elimination of <b>over-the-counter (OTC)</b> medications and other healthcare related items.		No longer may be included under FSA, HRA, or HSA	Proposed to go into effect in 2010.	<ul style="list-style-type: none"> <li>■ Will need to acquire a prescription to purchase OTC medications as eligible expenses</li> <li>■ Removal of the over-the-counter deduction would return FSAs to pre-2003 status.</li> </ul>
Caps tied to <b>Consumer Price Index (CPI)</b>		As the CPI increases each year the FSA Cap and Total Healthcare Cap both increase as well.	Proposed to go into effect in 2014.	<ul style="list-style-type: none"> <li>■ This may represent a more significant impact as we move forward.</li> <li>■ If healthcare costs continue to increase at a faster rate than the general CPI, any caps/limits will become more impactful.</li> </ul>
Elimination of FSA "Use-it-or-lose-it" rule.		Rollover of unused medical FSA funds or return of excess funds to the employee.	<i>Lobbying efforts are underway.</i>	<ul style="list-style-type: none"> <li>■ <b>Currently not in the Finance Committee's bill.</b></li> <li>■ If enacted, this chance would increase participation and contributions to FSAs.</li> </ul>
HSA non-eligible expenses tax increase.	20% of the disbursed amount		Goes into effect January 1, 2010.	