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Health-Care Reform: How Does It Affect You?

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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.

If you already have health insurance

First, by 2014, most U.S. citizens and legal residents will be required to have qualifying health insurance or face a possible fine. But even if you already have insurance, some reform provisions may affect you.

For instance, beginning this year, you generally can keep your adult child on your coverage up to age 26. And, your insurer will no longer be able to rescind your coverage if you get sick, impose lifetime coverage limits, rescind your coverage except for fraud, or impose coverage exclusions for your child due to pre-existing health conditions. In 2014, you can no longer be charged higher rates based on your health status or gender, and insurers cannot extend waiting periods beyond 90 days.

Starting next year, reimbursements from health flexible spending accounts (health FSAs) and health reimbursement accounts (HRAs) for over-the-counter drugs will be restricted, and tax-free reimbursements from health savings accounts (HSAs) and Archer MSAs for over-the-counter drugs will not be allowed, while the tax on HSAs and Archer MSAs increases for distributions not used for qualified medical expenses. In addition, beginning in 2013, contributions to health FSAs will be limited to \$2,500 per year. Finally, the income threshold for itemizing medical expense deductions will increase from 7.5% to 10% in 2013.

If you have Medicare

Medicare beneficiaries will also see some changes to their coverage. You'll be covered for most preventive and wellness care expenses without co-payments beginning in 2011. Medicare Part D participants who find themselves paying all of the cost of their prescriptions after reaching a minimum threshold, a situation referred to as the "donut hole," will gradually see their out-of-pocket expenses decrease, beginning in 2010 with the payment of a \$250 rebate, until 2020, when the donut hole is completely filled. If you're a Medicare Advantage beneficiary, however, beginning in 2011, you may see some of the extra benefits offered by these plans dropped as government payments to these plans are restructured and, in some cases, reduced. And, in 2013, if you're an individual with annual earnings equal to or greater than \$200,000, or a married couple with joint annual earnings of \$250,000 or more, your Medicare payroll tax will increase by 0.9%, from 1.45% to 2.35%. Also, for high income taxpayers, a Medicare tax of 3.8% will be applied to some types of investment income, such as rent, capital gains, and annuity payments, but not distributions from qualified retirement plans, such as IRAs and 401(k) accounts.

If you don't have insurance

If you don't have insurance, or if it's too expensive, the new reforms may make it easier for you to get and keep health insurance. By 2014, insurers will have to accept you regardless of your health history, and premiums can only vary based on tobacco use and age. Prior to that time, if you haven't been able to get insurance for at least six months due to a pre-existing condition, you will be able to purchase insurance through temporary high-risk pools.

In 2014, Medicaid availability is expanded to those under age 65 with incomes up to 133% of the Federal Poverty Level (FPL). You will also have state-based American Health Benefit Exchanges, available by 2014, through which you can buy health insurance from various plans. In addition, premium and cost-sharing subsidies will be available for individuals and families with incomes at or below 400% of the FPL, which can aid in reducing the cost of insurance purchased through exchanges.



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