

HEALTHCARE UPDATE

On Sunday, March 21, the House of Representatives passed the Patient Protection and Affordable Care Act (H.R. 3590) by a 219-212 vote. Later that evening they also passed a measure to amend certain elements of the original Senate legislation. That "fixes" bill now goes on to the Senate where they plan to review and act upon it this week. This second bill can then be passed by simple majority vote using a budget process called reconciliation.

The final bill will most likely contain the following elements that affect tax-advantaged health

\$2500 cap on Flexible Spending Account (FSA) contributions. The fixes bill would delay the effective date of the cap until January 1, 2013.

- Elimination of the Over-the-Counter tax deduction via FSAs, HSAs, or HRAs for plan years beginning January 1, 2011.
- A 40% excise tax on so-called "Cadillac plans". This element is also contained in the fixes bill; if the Senate passes the language as proposed the dollar thresholds would be raised to \$10,200 for single plans and \$27,500 for family plans, would exclude dental and vision plans, and would not take affect until 2018.

Additional items in the legislation include:

- An individual mandate which would require most Americans to purchase health insurance, beginning in 2014.
- An employer mandate which would require employers with over 50 employees to provide health coverage or be subject to a \$2000 fee per full-time employee (however, the company would be exempt from paying a fee on the first 30 full-time employees). This would also go into effect in 2014.
- The tax on Medicare payroll wages would increase by 0.9% on earnings over \$200,000 for individual taxpayers and \$250,000 for married couples filing jointly, beginning in 2013. The "fixes" bill would also include investment income in the total earnings.