

Health Plan Changes

The Affordable Care Act of 2010 created new limits on some workplace health plans. These plans include tax-free flexible spending arrangements and health savings accounts.

Typically, you are given the option to reduce your pay by a specified dollar amount and then use the amount to reimburse yourself for medical expenses. But you may want to prepare now for a change that goes into effect starting in 2011.

Here's what you should know.

Getting reimbursed for medicine

Starting January 1, 2011, the cost of over-the-counter medicine will no longer be reimbursed through these plans unless prescribed by your doctor. If you or someone in your family has a medical need to use over-the-counter medicine, then you must get a prescription from your doctor. You should keep a copy of your receipt and the prescription together in your records.

Setting aside dollar amounts

When planning how much money to set aside for your 2011 health spending, you should take this change into account. Use of HSA funds for over-the-counter drugs without a prescription could result in a 20% tax penalty.

New Tax Penalty

Effective January 1, 2011, the tax penalty for spending any of your Health Savings Account dollars, for anything other than qualifying medical expense, increases from 10% to 20%.



Find out more about changes to workplace health plans at www.IRS.gov.