UPDATE:

Healthcare Reform and Health Savings Accounts

HAVE YOU HEARD?

On March 24, 2010 President Obama signed the Patient Protection and Affordable Care Act (PPACA) into law. This healthcare reform bill made few changes to Health Savings Accounts (HSAs), but there are some provisions that you should be aware of.

Over-the-Counter (OTC) medical items

Starting on January 1, 2011, you will no longer be able to use HSA funds for OTC medications unless they are prescribed by a provider to treat a specific medical condition. You will not, however, require a prescription for insulin or diabetic supplies. Other OTC items such as bandages, contact lens solution, and first-aid supplies will also remain eligible without a prescription. This provision is effective for amounts paid or expenses incurred after December 31, 2010.

Be sure to keep your receipts and copies of your prescriptions for use at tax time!

Eligible over-the-counter items:

- Band aids
- Birth control
- Braces and supports
- Contact lens solution and supplies
- Elastic bandages and wraps
- First aid supplies
- Reading glasses

Ineligible over-the-counter medications (unless accompanied by a prescription):

- Acid controllers
- Acne medication
- Allergy and sinus
- Antibiotics
- Anti-itch and insect bite
- Cough, cold and flu medicine
- Eye drops
- Indigestion
- Laxatives
- Motion sickness
- Nasal sprays
- Ointments and creams
- Pain relief
- Respiratory treatments
- Sleep aids and sedatives
- Stomach remedies

Penalty on HSA distributions

The penalty for using HSA funds for non-qualified medical expenses before age 65 increases from 10% to 20% in 2011. This penalty is on top of the income tax you have to pay for using HSA funds for non-qualified medical expenses. It goes into effect on January 1, 2011 and applies to any disbursements made after December 31, 2010.

Age 26 coverage mandate

For group health plans beginning on or after September 23, 2010, the healthcare reform law has made it possible for parents to keep children up to age 26 on their health plans if they have no other coverage – even those who are married and living away from home. However, HSA funds can only be spent on family members who qualify as true tax dependents. If they don't qualify as tax dependents, those adult children can open their own HSAs and contribute the full amount allowed by the IRS for a family or an individual.

Be sure to talk to your tax advisor to understand the IRS guidelines for this. Also, if you have any questions about changes in your coverage, please contact your insurance company.

Continue to enjoy the benefits of your HSA!

Your HSA remains one of the best savings opportunities available. Log on to **www.chasehsa.com** today to explore the many options available to help you manage and grow your HSA.

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