

Health Reform Changes for Federal Benefits Programs Effective January 1, 2011

On March 23, 2010, President Obama signed the Affordable Care Act, (ACA), Public Law 111-148. Several provisions of the ACA will affect eligibility and benefits under the Federal Employees Health Benefits (FEHB) Program and the Federal Flexible Spending Account Program (FSAFEDS) beginning January 1, 2011. Please read the information below carefully.

Federal Employees Health Benefits (FEHB) Program

Please read the following section carefully as the actions you take will impact when your child's FEHB coverage begins under this new law.

What Are the Changes to FEHB Program Dependent Eligibility Rules Under the ACA?

All changes are effective on January 1, 2011.

| Children | Effect of ACA |
|--|--|
| Between ages 22 and 26 | Children between the ages of 22 and 26 are covered under their parent's Self and Family enrollment up to age 26. |
| Married Children | Married children (but NOT their spouse or their own children) are covered up to age 26. This is true even if the child is currently under age 22. |
| Children with or eligible for employer-provided health insurance | Children who are eligible for or have their own employer-provided health insurance are eligible for coverage up to age 26. |
| Stepchildren | Stepchildren do not need to live with the enrollee in a parent-child relationship to be eligible for coverage up to age 26. |
| Children Incapable of Self-Support | Children who are incapable of self-support because of a mental or physical disability that began before age 26 are eligible to continue coverage. Contact your human resources office or retirement system for additional information. |
| Foster Children | Foster children are eligible for coverage up to age 26. |

Children do not have to live with their parent, be financially dependent upon their parent or be students to be covered up to age 26. There is also no requirement that the child have prior or current insurance coverage. FEHB Program plans will send notice to all their enrollees of the coverage eligibility changes as a part of that plan's Open Season communications.

In cases where children have employer-provided health insurance and are covered under their parent's Self and Family enrollment, the children's employer-provided health insurance will be the primary payer. FEHB will be the secondary payer.

| Effective Date of Coverage for Newly Eligible Children | | |
|--|---------------------------------------|---------------------|
| Enrollee | Change in Family Status (QLE Change): | Open Season Change: |
| Most Employees | January 1,2011 | January 2, 2011 |
| OWCP Recipients | January 1,2011 | January 16,2011 |

For United States Postal Service employees, CSRS/FERS annuitants, Temporary Continuation of Coverage (TCC) enrollees and fanner spouses, an enrollment or change in enrollment made either as a "change in family status" QLE or as an Open Season change will provide coverage of eligible children on January 1, 2011. This is also true for other agencies and other retirement systems with a pay period that begins on January 1, 2011.

If you have a Self Only enrollment and would like your newly eligible child to be covered, you must change to a Self and Family enrollment. If you do not change to a Self and Family enrollment as a "change in family status" QLE or an Open Season change then your child will not be covered.

How Does This Affect Eligibility For Temporary Continuation of Coverage (TCC)?

Children who lose coverage due to reaching age 26 are eligible for TCC for up to 36 months even if they previously had TCC.

What is a Grandfathered Health Plan Under ACA?

The Affordable Care Act requires that health plans include certain consumer protections and benefits coverage that affect some FEHB plan benefits for 20 II. All plans in the FEHB Program have complied with all required provisions. However, certain protections and coverage terms depend upon whether the plan is considered a "grandfathered health plan" under the Act.

A grandfathered health plan may preserve basic health coverage that was in effect when the law was enacted. If an FEHB plan indicates that it is a grandfathered plan that means certain benefit features including cost sharing, premium payments and covered services have not significantly changed from last year.

While grandfathered health plans must comply with certain benefit requirements under the ACA, being a grandfathered plan also means that plan may not have included all benefit protections and coverage terms that apply to other plans. Information on a plan's specific benefit changes under the ACA will be available in the plan's brochure.

How Does the ACA Affect Benefits for High Deductible Health Plans?

Beginning January 1, 2011, currently eligible over-the-counter (OTC) products that are medicines or drugs will not be eligible for reimbursement from your Health Savings Account (HSA) or your Health Reimbursement Arrangement (HRA) - unless - you have a prescription for that item written by your physician. The only exception is insulin - you will not need a prescription from January 1, 2011 forward. Other currently eligible OTC items that are not medicines or drugs will not require a prescription.

Effective January 1, 2011, the 10% penalty for non-eligible medical expenses paid from an HSA will increase to 20%.

Federal Flexible Spending Account Program (FSAFEDS)

How Does the ACA Affect FSAFEDS?

Coverage of Over-the-Counter Medicines or Drugs

Beginning January 1, 2011, currently eligible over-the-counter (OTC) products that are medicines or drugs will not be eligible for reimbursement from your Health Care FSA - unless - you have a prescription for that item written by your physician. The only exception is insulin - you will not need a prescription. Other currently eligible OTC items that are not medicines or drugs will not require a prescription

You will only be reimbursed for eligible OTC medicines and drugs purchased before January 1, 2011, and you must submit your claim on or before April 30, 2011.

Expanded Coverage for Your Child's Eligible Health Care Expenses

Beginning January 1, 2011, an employee enrolled in FSAFEDS may request reimbursement for eligible health care expenses incurred by a natural child, stepchild, adopted child, eligible foster child, or a child who is placed with the employee for legal adoption. The child does not need to reside with the employee or qualify as the employee's tax dependent. Prior to January 1, 2011, eligible children were limited to those who you could claim as dependent(s) on your Federal Tax return.

The ACA has also extended the age of a child who may incur eligible expenses under an employee's Health Care FSA. Expenses of an employee's child are covered through the taxable year prior to the taxable year in which the child turns age 27. This means the child's health care expenses are not eligible for reimbursement during the entire taxable year in which the child turns age 27. For example, enrollees cannot be reimbursed for expenses incurred by a child who turns 27 anytime in 2011.

The ACA does not affect Dependent Care FSAs.

Other Federal Benefits Programs

Other Federal benefits programs are not affected by the Affordable Care Act for 2011. The Act has made no changes to the Federal Employees Dental and Vision Insurance Program (FEDVIP), the Federal Employees' Group Life Insurance Program (FEGLI) or the Federal Long Term Care Insurance Program (FL TCIP). Health care reform does not extend coverage for children until age 26 or provide coverage for married dependent children under these programs.