

Sample article for organizations to use to reach customers and taxpayers

Customize and provide the following article to your customers to educate individuals about Affordable Care Act changes that may impact Healthcare Savings Programs.

Does your Healthcare Program need a check-up?

The Affordable Care Act of 2010 makes some changes to healthcare programs offered by employers. If you participate in any of these programs, here's what you should know about using your 2010 funds and planning for 2011.

Beginning Jan. 1, 2011, over-the-counter (OTC) drugs, like nonprescription pain relievers, will be reimbursable through healthcare programs like flexible spending arrangements or health reimbursement arrangements only if the OTC drugs are prescribed. Also, OTC drugs will no longer be a qualified medical expense after Dec. 31, 2010, unless you have a prescription. This means that a distribution from a Health Savings Account or Archer Medical Saving Account for an OTC drug will be tax-free only if it is prescribed.

This is effective for all OTC purchases made on or after Jan. 1, 2011—even if the funds were set aside in 2010. This change does not affect eligible OTC drug purchases made on or before Dec. 31, 2010.

In addition, the additional tax for distributions from Health Savings Accounts for non-qualified medical expenses increases from 10 to 20 percent and from 15 to 20 percent for Archer Medical Savings Accounts in 2011.

There are different types of healthcare programs that offer certain income tax advantages and offset the cost of healthcare.

Tax-favored healthcare programs include:

- Health Savings Accounts (HSAs)
- Archer Medical Savings Accounts (Archer MSAs)
- Health Flexible Spending Arrangements (FSAs), and
- Health Reimbursement Arrangements (HRAs)

Consider the changes when you set aside money for your 2011 healthcare account.

NOTE TO EDITOR: Below are links to additional resources for your readers.

- [IR-210-95](#), IRS Issues Guidance Explaining 2011 Changes to Flexible Spending Arrangements
- [Pub. 4884 Flyer](#) - *Health Plan Changes*
- [Questions and Answers](#) on Over-the-Counter Medicines and Drugs
- [Publication 969](#), Health Savings Accounts and Other Tax-favored Health Plans
- [Affordable Care Act](#) on IRS.gov