

## EMPLOYEE BENEFITS ALERT

NEWS FOR THE CLIENTS AND FRIENDS OF BASS, BERRY & SIMS PLC

June 8, 2011

### **June 30<sup>th</sup> Deadline to Amend Plans For Reimbursement of Over-the-Counter Drugs**

Under the Patient Protection and Affordable Care Act, as amended (health reform), health care flexible spending arrangements (health FSAs) and health reimbursement arrangements (HRAs) may not reimburse expenses for "medicines" or "drugs" (other than insulin) purchased without a prescription. Although the change is effective for purchases made on or after January 1, 2011, IRS last year granted employers an extra six months to amend their plan documents. The June 30 deadline is fast approaching, and plans should be amended to reflect this new requirement. The amendment should not be confused with a separate amendment, required by the end of 2012, limiting annual salary reduction contributions to health FSAs to no more than \$2,500 beginning in 2013. IRS has also indicated that regulations finalizing the proposed cafeteria plan regulations issued in 2007 are forthcoming. In the meantime, plan documents should accurately reflect any optional features offered under the plan (e.g., grace periods or HSA contributions).

### **IRS Announces 2012 HSA and HDHP Limits**

For calendar year 2012, the limit on pre-tax contributions that individuals may make to a health savings account (HSA) will increase to \$3,100 (for self-only coverage) and \$6,250 (for family coverage). This represents increases of \$50 and \$100, respectively, from the 2011 limits.

The limit on annual out-of-pocket expenses under an accompanying high deductible health plan (HDHP) for 2012 is \$6,050 (for self-only coverage) and \$12,100 (for family coverage), representing increases of \$100 and \$200 from 2011. Minimum annual deductibles for coverage under an HDHP remain unchanged at \$1,200 for self-only coverage and \$2,400 for family coverage.

Affected plan documents will need to be amended, and summary plan descriptions and participant communications updated, before the new limits go into effect.

If you have questions regarding this Alert, please contact any of the attorneys in our Employee Benefits Practice Group listed below.

**Bass, Berry & Sims Employee Benefits Attorneys**

**David Thornton**

(901) 543-5922

[dthornton@bassberry.com](mailto:dthornton@bassberry.com)

**Fritz Richter**

(615) 742-6256

[frichter@bassberry.com](mailto:frichter@bassberry.com)

**Richard Barry**

(615) 742-6230

[rbarry@bassberry.com](mailto:rbarry@bassberry.com)

**Curtis Fisher**

(615) 742-7892

[cfisher@bassberry.com](mailto:cfisher@bassberry.com)

**Michael Moore**

(901) 543-5916

[mtmoore@bassberry.com](mailto:mtmoore@bassberry.com)

**John Kirk**

(615) 742-7808

[jkirk@bassberry.com](mailto:jkirk@bassberry.com)

*The materials contained herein have been abridged from the statutory sources and should not be construed or relied upon for legal advice. Readers are urged to consult legal counsel concerning particular situations and specific legal questions.*

*To ensure compliance with requirements imposed by the IRS, we inform you that this message is not intended to be used, and cannot be used, by the addressee or any other person for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code.*

---

150 Third Avenue South, Suite 2800 • Nashville, TN 37201 • (615) 742-6200

The Tower at Peabody Place • 100 Peabody Place, Suite 900 • Memphis, TN 38103 • (901) 543-5900

1700 Riverview Tower • 900 South Gay Street • Knoxville, TN 37902 • (865) 521-6200