

Your Affordable Health Care Act Primer and What it Means for Taxes



Q: Health insurance is so confusing. I'm trying to help my parents who are going to be eligible for Medicare and I also have a group plan with new options. Can you help us sort through these puzzles?

A: The Affordable Health Care Act (ACA) allows employees to have more control over their personal health care spending so many companies have added new options.

If your employer offers a health care Flexible Spending Plan (FSA), you can deduct pre-tax dollars from your paycheck to pay for certain specific medical expenses. Check your FSA plan to see the definition of qualified medical expenses. For example, FSA's may have provisions to cover treatments prescribed by a doctor for acne, acupuncture, hypnosis, and smoking cessation. These plans vary widely in their coverages and are generally "use-it-or-lose-it" plans that may have either a grace period or a carryover provision.

Health Savings Accounts (HSAs) are tax-advantaged medical savings accounts coupled with (HSA-qualified) high deductible health plans. Employees can deduct from their 2015 paychecks up to \$6,650 for a family plan (pre-tax) and these funds go into special savings accounts. The over-55 group can contribute an extra \$1,000 per year. Funds accumulate and are available until you need them for qualified medical expenses for such things as co-pays, prescription drugs, vision and dental expenses.

For Medicare, the two main choices are Original Medicare (Part A for Hospital Insurance, Part B for Medical Insurance, and Part D for Prescription Drug Coverage) and Medicare Advantage (Part C) plans. Your parents have to choose the option that best fits their personal situation. Refer to www.Medicare.gov the official U.S. Government's website for Medicare.

If your parents choose Original Medicare, they should strongly consider a Medicare supplement (Medigap) policy. Medigap covers medical expenses that Original Medicare requires participants to pay like copayments, coinsurance, and deductibles. The best time to buy a Medigap policy is during your Medigap Open Enrollment Period, the six month period beginning on the first day of the month you are 65 (or older) and enrolled in Part B. During this period, you can buy any Medigap policy (even if you have preexisting health issues) for the same price that a person in excellent health would pay.

The Medicare Initial Enrollment Period for Parts A and Part B begins three months *before* your 65th birthday and ends three months after your birthday month. There's a Special Enrollment Period for people who are employed and covered under a group health plan. Check with the benefits department to find out how group insurance works with Medicare.

There is a penalty for every year you are not enrolled in Medicare Part B if you are older than age 65 and not covered by an employer plan. The cost of missing open enrollment for Medicare Part B is a 10% penalty for each year missed. Part D (for Prescription drugs) also carries a late

enrollment penalty. If you enroll after age 65 or don't have Part D or other creditable prescription drug coverage, you may be exempt from the penalty as long as you're covered by an employer prescription plan prior to Medicare enrollment.

Medicare premiums and benefits can change annually so review changes to your plan or health needs annually. If you want to change your plan's options, Medicare Open Enrollment is always October 15 to December 7th and coverage starts January 1st.

If you have questions pertaining to Medicare, don't hesitate to contact SHINE (Serving Health Insurance Needs of Elders.) It's a free program offered by the Florida Department of Elder Affairs and your local area Agency on Aging. Contact the Florida Elder Helpline at 1-800-963-5337, or visit www.floridashine.org.

If you don't have health insurance and don't qualify for an exemption in 2014 you'll pay a penalty under the ACA when you file your 2014 tax return. Watch the news, there are proposed changes to the ACA provisions. Last week, the Supreme Court decided to hear a case on the legality of ACA premium tax credits being offered in those states that use the federal government health care exchange (like Florida) instead of states who established their own state exchange.

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