



HEALTH REFORM: UPDATE

Resource Management has just received exciting news regarding the Health Care Reform Act and how it will affect our clients. PEOs have been waiting for Congress to determine if the clients of a PEO would be viewed as individual groups, or if they would have their employee numbers combined with the other clients in the PEO, in regards to the new mandates. On Tuesday, the National Association of Professional Employer Organizations (NAPEO) announced that the Health Care Reform Act includes language indicating Congressional intent that in a PEO arrangement, the small business tax credits, employer mandates and non-discrimination testing all apply at the client level. This is a huge victory for the PEO industry, as our clients will not be penalized under the new legislation due to their relationship with RMI.

Millions of individuals throughout the country are working for small businesses which are in PEO arrangements. The objective of the Reform Act is to create incentives for health coverage and not to provide disincentives. By allowing each client to be viewed as a separate entity, and not grouping them with the PEO's employee count, Congress has shown that the PEO industry is valued and provides many important benefits to millions of individuals.

As further guidance is issued regarding the many complex pieces of the new legislation, RMI will continue to keep our clients updated with important information and how it will affect your business. There is still a lot of conflicting information regarding not only the tax credits that your business may be entitled to, but also in regards to the benefit changes that will need to be made to our medical plans.

Some of the changes that will be taking place in the next couple of months include:

- Tax credits for small businesses with fewer than 25 full-time employees who have annual wages of less than \$50,000, and;
- Automatic enrollment for employers with more than 200 employees.

Changes that will take place in October 2010 for our self-funded medical plan include:

- Elimination of lifetime limits on medical coverage, and;
- A possible change in the definition of a dependent child.

January 2011 brings even more changes:

- Mandatory reporting of the dollar value of employer-provided health coverage to be included on all W-2 forms;
- The elimination of over-the-counter drugs as an eligible expense in flexible spending accounts, and;
- Tax on Health Savings Account (HSA) distributions for non-qualified expenses will increase to 20 percent.

RMI is committed to keeping you informed of these important changes. We are still seeking guidance from NAPEO, as well as the Department of Labor, so that we can fully understand what needs to be done. Please be sure to watch for future updates from RMI. If you have any questions regarding the Reform Act, please contact RMI's corporate office at (888) 764-0200.