

# The Columbus Dispatch

## Flexible-spending limit cut to \$2,500

By: Ben Sutherly - November 21, 2012

---

Come January, many employees will face new limits on how much untaxed money they can sock away to pay for medical expenses.

The federal health-care overhaul places a \$2,500 limit on the pre-tax contributions that workers can make to flexible-spending accounts, which are used to help pay for those expenses not covered by regular health insurance.

Since the change applies to health plans that begin in January or later, some workers whose employers operate on health plans that start on July 1 will not see the change until then.

The cap is meant to generate revenue for the federal government, resulting in \$13 billion between 2013 and 2019, according to the Joint Committee on Taxation.

When asked for comment, the Department of the Treasury said in an email: “The Treasury and the IRS recently issued guidance that eases in the application of the limits, and will continue to work with employees and employers on implementation of these rules.”

Currently, there are no limits on flexible-spending accounts except for those put in place by employers themselves. Many employers, for example, cap contributions at \$3,000 to \$5,000.

It’s unclear how many people will be affected by the new cap. The use of flexible-spending accounts has grown in recent years, but they remain far more common at larger companies.

Among employers with 200 or more workers, 76 percent offered flexible-spending accounts in 2012, up from 70 percent in 2007, according to the Kaiser Family Foundation. Among firms with fewer than 200 workers, 17 percent offered the accounts in 2012, up from 13 percent in 2007.

Participation rates among workers vary by industry, but an estimated 15 percent to 20 percent of employees enroll in flexible-spending accounts if they're offered, according to Mercer, an employee-benefits consultant.

In 2011, the average annual contribution nationally was about \$1,500, according to Chrissy Knott, an associate in Mercer's Columbus office.

Michael Tanner, a senior fellow at the Cato Institute, a libertarian group, said the cap undermines consumer-directed health care.

"If you put the money in the hands of the consumer ... they become a better shopper," Tanner said.

The health-care law already has tightened how consumers can spend money in flexible-spending accounts. For example, they no longer can use that money to pay for over-the-counter medications, Knott said.

The \$2,500 limit will be adjusted in the future to account for changes in the cost of living.