



Under the Affordable Care Act, beginning January 1, 2013, annual contributions made to a health flexible spending account (FSA) will be limited to \$2,500 (this amount will be adjusted for inflation in subsequent years). Plan sponsors should begin working with their third-party administrators to update cafeteria plan documents and summary plan descriptions (SPDs) to reflect this limit, and should begin preparing to communicate the changes to their employees.

Although regulations have yet to be issued on this provision, there are some things that are important to note: the \$2,500 limit only applies to salary reduction contributions (and not employer contributions) and the requirement does not apply to dependent care FSA (which have a statutory cap of \$5,000 in a calendar year) or health reimbursement arrangements (HRAs).

Most calendar year plans will change their health FSA effective January 1, 2013, however, for non-calendar year health FSA, it may be a little more complex. The \$2,500 limit is tracked on a calendar year basis, so non-calendar year plans will need to ensure their employees' health FSA contributions will not exceed \$2,500 for the 2013 calendar year. It may be a good idea for plan sponsors of non-calendar year plans to consider adjusting the health FSA contribution limit to reflect a \$2,500 limit beginning in 2012.

As information develops, we will continue to keep you updated.