



## CAFETERIA AND FLEXIBLE BENEFIT PLANS: THE “BENEFITS CHOICE” OF MIDDLE CLASS AMERICANS

**Background:** For more than 30 years, employers across the nation have offered a range of benefits to middle class Americans through so-called “cafeteria plans”. These cafeteria (or flexible benefit) plans promote efficient benefit choices by enabling employees to expend their own funds for the benefits that are most meaningful to them. Indeed, several states require that employers use such programs for health coverage contributions and the majority of private employers, the federal government, and all state governments offer cafeteria plan benefits as an integral part of their benefit programs to enable middle class American workers to: save for retirement; get the health care services they need; pay for life, disability, accident and other supplemental insurance; and set aside funds for child/dependent care and work-related transportation expenses.

**Recommendations:** Although the nation’s economy shows signs of recovery, millions of Americans continue to struggle to make ends meet. The Employers Council on Flexible Compensation (ECFC) commends Congress and the Administration for its focus on helping middle class families get through these challenging economic times. As work continues on legislative proposals aimed at relief for middle class families, the ECFC urges Congress to preserve and expand cafeteria plans, flexible spending arrangements (FSAs) and other pre-tax employee benefit programs that promote and facilitate employee choice of the benefits most important to them. Specifically, the ECFC recommends that Congress:

- 1) Reject attempts to curtail or limit health FSA benefits and other pre-tax health benefits in the name of health care reform (See attached “ECFC Recommendations to Health Care Reform Summit Participants”);
- 2) Increase the amount that families can contribute to dependent/child care flexible spending accounts (FSAs) from the current \$5,000 level (as established in the 1980s) and allow a carry-over of unused funds as envisioned in H.R. 2298, the Expanding Dependent and Child Care Act and H.R. 1279;
- 3) Promote more efficient health care spending by modifying the health care FSA “use it or lose it” rule, as proposed in H.R. 2526, the Medical FSA Improvement Act;
- 4) Permit the purchase of long-term care insurance on a pre-tax basis, as called for in S. 702, the Long-Term Care Affordability and Security Act;
- 5) Expand cafeteria plans to allow federal civilian and military retirees to pay health care premiums on a pre-tax basis, as called for in S. 491/H.R. 1203, the Federal and Military Retiree Health Care Equity Act; and
- 6) Continue the increased limit for tax-favored mass transit benefits (as enacted by the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5 (Feb. 17, 2009) beyond the current sunset date of December 31, 2010.

The Employers Council on Flexible Compensation (ECFC) is a membership association dedicated to maintaining and expanding employee benefit programs offered on a pre-tax basis including health care, transportation, dependent/child care assistance and retirement plans. ECFC’s more than 100 members include employers who provide these important benefits, as well as insurance, accounting, consulting, and actuarial companies that design or administer employee benefit plans throughout the nation. Together, ECFC member companies design, offer, or administer flexible benefits for tens of millions of working Americans, a majority of whom have middle class incomes.