



ECFC Weekly Legislative Update
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Attached please find summary materials for the House health care reform legislation, H.R. 3962, the Affordable Health Care for America Act, as introduced earlier this morning. The legislative language can be found at http://docs.house.gov/rules/health/111_ahcaa.pdf. Of particular note:

1. **Sec. 531. Distributions for medicine qualified only if for prescribed drug or insulin.** Provides that nontaxable reimbursements from health flexible spending accounts, health reimbursement arrangements, and health savings accounts do not include a medicine or drug unless the medicine or drug is prescribed or is insulin. Applies to expenses incurred after 12/31/10.
2. **Sec. 532. Limitation on health flexible spending arrangements under cafeteria plans.** Limits salary reduction contributions to health flexible spending arrangements to \$2,500 (indexed to the consumer price index). Cap applies to taxable years beginning after 12/31/12.
3. **Sec. 533. Increase in penalty for nonqualified distributions from health savings accounts.** Increases the 10 percent penalty on distributions from health savings accounts that are not used to pay for health related expenditures to 20 percent. Applies to taxable years after 12/31/10.
4. **Sec. 542. Offering of exchange-participating health benefit plans through cafeteria plans.** Provides that coverage purchased through the Exchange may not be purchased on a pre-tax salary reduction basis unless the purchaser's employer is eligible to offer employer coverage through the Exchange.

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