

HEALTH CARE FLEXIBLE SPENDING ACCOUNT (HCFSA) \$500 CARRYOVER

An Internal Revenue Service (IRS) change to the Health Care Flexible Spending Account (HCFSA) modifies the "use it or lose it" rule and allows participating active employees to carry over up to \$500 in unused funds from one year to the next. Any 2014 health care FSA monies over \$500 will be forfeited. The carryover funds may be accessed starting April 1, 2015, once all 2014 FSA expenses have been reimbursed. For more details on this provision, view the *Health Care Flexible Spending Account Carryover FAQ*.

HEALTH CARE FSA CARRYOVER FAQ

What is a Health Care Flexible Spending Account (HCFSA) carryover?

Recent guidance issued by the Internal Revenue Service (IRS) modifies the Health Care Flexible Spending Account (HCFSA) "use it or lose it" rule and allows participating active employees to carryover up to \$500 in unused HCFSA funds from one year to the next.

Back in October 2013, FHDA has adopted the carryover and allow HCFSA participants to carryover up to \$500 of unused funds from the previous year into the next plan year. This means that if you were enrolled in a 2014 Health Care Spending Account you may be eligible to carryover up to \$500 of funds remaining in your 2014 HCFSA (after the March 31st run-out period).

Does the carryover affect how much money I can put in my Health Care Flexible Spending Account (HCFSA)?

No. The carryover will not count towards the annual contribution limit of \$2,500. You may still choose to contribute up to \$2,500 during Open Enrollment for the new plan year even if you carry over \$500 from the previous year. Therefore, you can have up to \$3,000 in your HCFSA in 2015 if you elect to contribute the maximum allowed and carryover \$500.

Who is eligible to receive the carryover funds?

You are eligible to receive the carryover funds automatically as long as you are an active benefits-eligible employee and eligible to participate in the HCFSA on the day the funds are carried over to the new plan year's HCFSA.

If eligible, carryover funds will be credited to your Health Care Flexible Spending Account (HCFSA) in mid-April (after the March 31st run-out period).

If you terminate employment or are not eligible to participate in the HCFSA, normal termination rules will be applied and any carryover balance may be forfeited.

EXAMPLE:

You are an active benefit-eligible employee:

On March 1st your job changed and you are scheduled to work less than 50% time. If you work less than 50% time you are not a benefits-eligible employee. As a result, you will not receive the carryover funds in mid-April. Instead any monies (including carryover funds) left in your HCFSA from the prior year at the end of the run-out period will be forfeited.

- Employees have until December 31 to incur eligible expenses for reimbursement from their Health Care Flexible Spending Account.
- The last day to submit a claim for reimbursement is March 31st of the next calendar year, which is the last day of the run-out period.
- Up to \$500 of the unused balance left in the previous year's HCFSA may be carried over after all disbursements are final and the run-out-period has ended. The funds will be credited to your account in mid-May.

So, when will the carryover funds be in my Health Care Flexible Spending Account (HCFSA)?

The carryover balance will be determined after the run-out from the previous year has closed and all outstanding claims for the FSA plan year have been processed and paid. Once all claims have been disbursed the final balance will be determined. You will forfeit any funds in excess of \$500 after all disbursements are final and the run-out period has ended.

March 31th is the last day of the run-out period for the previous FSA plan year so any carryover balance will be available in the new HCFSA by mid-May. The unused balance if \$500 or less, will be carried over to the new plan year's HCFSA and added to your ***"Available Funds."***

EXAMPLE:

- You contributed the maximum of \$2,500 to your HCFSA in 2014, but you only claimed \$1,800 of eligible expenses by December 31, 2014.
- You have until March 31, 2015 to request additional reimbursement for \$700 of eligible claims.
- If you don't claim the remaining \$700 balance, \$500 may be carried over in mid-April 2015. The extra \$200 balance will be forfeited.

After mid-April you can logon to the Conexis Systems to view your FSA account information and the carryover balance. The carryover balance will be added to

your **Available Funds** and will appear in the “**Carryover**” field under the **Account Management** tab. The amount in your **Available Funds** is what you will be reimbursed from. The **Carryover** field will always indicate the amount that was carried over and added to your **Available Funds**.

What if I had a Health Care Flexible Spending Account (HCFSAs) but I do not re-enroll for the new plan year during Open Enrollment-- will my monies carryover?

If you are an active benefits-eligible employee and you are eligible to participate in the HCFSAs at the time the funds are carried over--a new HCFSAs will be created for you automatically and you will be able to access and track the balance of carryover funds by logging on to **conexis.com**.

You do not have to re-enroll in an HCFSAs during Open Enrollment. Your HCFSAs annual election will be \$0; however, the **Carryover** field and **Available Funds** will be populated with the carryover amount. These funds will be available to you and may carryover again as long as you remain a benefits-eligible active employee and are also eligible to participate in an HCFSAs.

Can I carry over my unused Health Care Flexible Spending Account dollars from year-to-year?

Yes, you can. You may carry over up to \$500 of unused funds in your Health Care Flexible Spending Account from year-to-year as long as you are an active employee and eligible to participate in the FSA plan.

Does the Dependent Day Care FSA include a carryover?

No. IRS rules do not allow you to carry over Dependent Day Care FSA funds.

What if I have more than \$500 in my Health Care Flexible Spending Account (HCFSAs) at the end of the run-out period?

The IRS “use-it-or-lose-it” rule applies. To avoid forfeiting any monies it is important to spend down your account by December 31st. After the end of the run-out period you lose any money left in your HCFSAs that is more than the maximum carryover limit of \$500. The forfeited funds **will not** be returned to you or transferred to another account—this follows current IRS rules.

EXAMPLE:

You have an \$850 unused balance from the 2014 HCFSA plan year (after the April 30, 2015 run-out deadline) but only \$500 of the remaining \$850 will carryover in mid-May 2015. The remaining \$350 will be forfeited.

- You must spend down your remaining HCFSA funds before December 31; or
- Forfeit your balance, which would include the carryover balance.

Which monies will be used first—the new plan year amount or the carryover amount from the previous year?

If you incur expenses before the carryover funds are credited to your account, you will use your annual election for the new plan year before being reimbursed for any claims from the carryover funds from the previous plan year.

Remember carryover funds will not be credited to your account until mid-April.

So if you have expenses in the early part of the year, those expenses may be reimbursed from your new annual election. Once the carryover amount is credited to your account, the carryover funds will appear in the ***Carryover*** field located on the ***Account Management*** tab on the Conexis website. The amount will show for you to know the carryover is in your account. The carryover amount will also be added to your ***Available Funds*** in mid-April so you may see the total funds that will be available to you for the rest of the plan year.

EXAMPLE:

You elected to contribute \$1,000 to an HCFSA during Open Enrollment. In January you incur medical expenses in the amount of \$750. Since any carryover funds will not be available until April, you will be reimbursed \$750 from your \$1,000 annual amount. You will still have \$250 remaining in your ***Available Funds***.

As of March 31st, you had \$400 from the previous year that you had not used. The \$400 is the carryover balance and will be added to the \$250 that remains from the new annual election. The carryover funds and the left over balance are blended and show as the ***Available Funds*** in the amount of \$650.

You will need to re-submit a claim for any unreimbursed amount after your carryover funds are credited to your FSA account. You may also use your debit card to access ***Available Funds*** including any carryover funds once they are available.

What if I use up my new Health Care Flexible Spending Account (HCFSA) before the carryover funds are credited to my account?

If you submit a claim that exceeds your current HCFSA elected annual amount before any carryover funds are credited to your account you will only be reimbursed up to your current elected annual amount.

You need to re-submit a claim for any unreimbursed amount after your carryover funds are credited to your HCFSA. You may also use your debit card to access the carryover funds once they are available.

What happens to my carryover funds if I leave FHDA or I am no longer eligible to participate in the Health Care Flexible Spending Account (HCFSA) plan?

If you terminate employment, termination rules will be applied to the Health Care Flexible Spending Account (HCFSA). If applicable, you will be offered COBRA to continue your HCFSA.

Whether or not you enroll in COBRA you can submit claims for eligible expenses through the March 31st following the end of the plan year as long as the service date(s) of the expense is on or before the end of the month in which you terminate.

- If carryover funds have already been credited to your **Available Funds** before you terminate, then the **Available Funds** is the amount that would be reimbursable against eligible expenses.
- If carryover funds have not been credited before your termination date, then the carryover funds will only be available if you are eligible to enroll in and pay for COBRA.

EXAMPLES:

EXAMPLE 1: You terminate in November 2014

If applicable, you may be offered COBRA to continue your Health Care FSA. If you elect COBRA and make contributions through the end of the year (December 31), claims must be submitted within 90 days from the date of termination. If there is a remaining balance of \$500 or less left in your Health Care FSA Account after March 31st, the balance is carried over to a new 2015 Health Care FSA account. You may continue to use the carryover funds without further premium until the end of the plan year or until they are exhausted, whichever comes first.

EXAMPLE 2: You terminate in 2015 *before* April 1

If you enrolled in the HCFSA in 2014 and also enroll in the HSA and elect to contribute \$800 you have until March 31st to claim reimbursement for any expenses incurred through 2014. If you terminate before mid-May then you must incur expenses through the end of the month in which you terminate unless you are eligible for and do elect COBRA.

Remember: For you to be eligible for the carryover, you must elect COBRA to remain active in the 2015 HCFSA. If you are contributing to your HCFSA through COBRA when the carryover is determined, any carryover balance of \$500 or less will be added to your 2015 **Available Funds**.

EXAMPLE 3: You terminate in 2015 *after* April 1

You enroll in the 2015 HCFSA and elect to contribute \$1,500. In addition, you have a carryover balance from 2014 in the amount of \$200, which was added to your 2015 Health Care FSA **Available Funds** for a total of \$1,700.

Your termination date is July 31, 2015. If the **Available Funds** at the time of your termination is \$1,000, in order for COBRA to be offered, your Health Care FSA contributions year-to-date must be higher than the amount that has already been reimbursed year-to-date. Your Health Care FSA contributions to-date equal \$875; total reimbursements are \$500. Since the amount contributed year-to-date is higher than the total reimbursements year-to-date, COBRA would be offered. You would need to elect and pay your COBRA contributions in order to keep the Health Care FSA active. If you terminate COBRA, any balance will be forfeited.

If you had the carryover balance of \$200 added to a 2015 Health Care FSA but did not enroll in a Health Care FSA for 2015, you would have \$200 in **Available Funds** through your termination date of July 31, 2015. Because you have made no contributions to your Health Care FSA in 2015, the **Available Funds** at the time of your termination is less than the amount of any reimbursements, so COBRA would not be offered and the carryover balance would not be available for any expenses incurred after your termination date of July 31, 2015.