FAQs:

How COVID-19 May Impact Your Medical Savings Accounts

With the Coronavirus Aid, Relief, and Economic Security (CARES) Act enacted, some legislative updates have been made that may impact your medical savings accounts. This handy resource will provide you answers to common participant and employer questions about changes to your medical savings accounts including: Health Reimbursement Arrangements (HRA), Health Savings Accounts (HSA), Flexible Spending Accounts (FSA), and Dependent Care Accounts (DCA).

Health Reimbursement Arrangement (HRA)

What happens to my funded HRA assets if I get laid off or terminated?

Your existing HRA funds will go with you and can continue to be used for eligible medical expenses, assuming you're vested in those funds.

Health Savings Account (HSA)

Can I change my HSA election amount if I am not currently working due to COVID-19?

Yes, you can update your election at any time for any reason with your employer. If you cannot change your election via a payroll deduction, you can contribute directly to your HSA. This will be an above-the-line tax deduction when you file your 2020 taxes.

Can I change my HSA election amount if I am not currently working due to COVID-19?

Yes, you can update your election at any time for any reason with your employer. If you cannot change your election via a payroll deduction, you can contribute directly to your HSA. This will be an above-the-line tax deduction when you file your 2020 taxes.

Are telehealth services free due to COVID-19?

Telehealth services can now be covered pre-deductible under an HSA-Qualified High Deductible Health Plan (QHDHP). This means that telehealth expenses can be covered pre-deductible without compromising HSA eligibility. These services may be applied retroactively to January 1, 2020. This provision ends on December 21, 2021.

If I made an excess contribution in 2019 to my HSA, can I avoid the 6% excise tax if I withdraw the excess by July 15, 2020?

Yes, if you don't take a deduction for the excess contribution when you file the tax return and the contributions aren't made to your HSA through a salary reduction. If you file by July 15, 2020, and don't withdraw the excess by that date, you can still avoid the tax if you withdraw the excess by October 15, 2020.

Flexible Spending Accounts (FSA) & Dependent Care Accounts (DCA)

Under what circumstances can I change my DCA election amount?

In light of COVID-19, there are many stay at home or

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shelter in place mandates in place which may affect a participant's employment status, FMLA leave, or a reduction in hours. The IRS recognized that the following qualifying events allow for election changes:

- Change in provider as a result of the change in cost
- Change of cost from the provider
- Substantial change in employer benefits and cost
- FMLA leave
- Change in employment status
- Reduction in hours that causes loss in coverage

Also, due to IRS Notice 2020-29, you can make an election change for any reason as a result of COVID-19, as long as your employer agrees to the change.

Would a closure of childcare facilities be considered a qualifying event?

Yes, if the facility is closed or must limit the number of children watched (as a result of COVID-19) you can change your election. The change must be consistent with what you were paying for childcare services.

Can I decrease my DCA election because I'm temporarily working from home and no longer need childcare?

Yes, you can change your DCA election amount if you no longer need childcare due to loss of employment, reduction in hours, or as a result of working from home orders. The change must be consistent with the change in cost.

Can I increase my DCA election amount because schools are closed, and now my child needs all day childcare?

Yes. It is considered a qualifying event if your child (under age 13) now requires additional care (vs. only after school care). You can increase your DCA election. The change must be consistent with the change in cost.

Can I decrease my FSA election if I am not working at this time?

Yes, it is a qualifying event if you have a reduction in hours due to COVID-19. You can decrease your FSA election. The change must be consistent with the change in status.

Can I increase my FSA election if my medical expenses increase due to COVID-19?

Due to IRS Notice 2020-29, you can make an election change for any reason as a result of COVID-19, as long as your employer agrees to the change. Under normal circumstances, an increase in your medical expenses is not considered a qualifying event and you would not be able to make an election change.

Can I decrease my FSA election because many providers are closed?

Due to IRS Notice 2020-29, you can make an election change for any reason as a result of COVID-19, as long as your employer agrees to the change. Under normal circumstances, a lack of providers is not considered a qualifying event and therefore, you would not be able to decrease your election as a result.

Has the medical FSA carryover amount increased, or will our FSA's grace period be extended as a result of COVID-19?

The FSA carryover amount, in which the current maximum is $500, if your plan allows for it, has increased to $550 for plan years beginning in 2021. This limit increase is not automatic however, as employers will need a plan amendment executed for this to be effective. For plans with a grace period or plan year ending in 2020, a plan may permit employees to apply any unused amount remaining in an FSA or DCAP account to pay for or reimburse for eligible medical expenses or dependent care expenses through December 31, 2020. For plan years beginning in 2021, the maximum length for a grace period will revert back to 2½ months following the conclusion of the FSA plan year for both the FSA and DCAP amount. Changes tied to FSA plans have been evolving quickly as a result of COVID-19, so NIS will continue to monitor this situation and provide updates accordingly.

Can I still submit claims if I'm laid off or if my FSA is terminated as a result of COVID-19?

You can seek reimbursement for any claims that were incurred prior to your termination date and will have through the end of your group's runout period to do so.

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What time frame do I have to submit my election change?

Mid-year election changes are permissible for the following events:

You can increase your election for:

- Marriage
- Birth or adoption of a child
- Child who gains dependent status

You can decrease your election for:

- Divorce
- Death of dependent
- Child no longer qualifies as a dependent

You can increase or decrease your election if:

- Your spouse or dependent starts or ends a job
- You gain or lose eligibility for health flexible spending coverage or employer-sponsored health insurance
- Your spouse or dependent has an increase or decrease in work hours
- You go on or return from FMLA
- You receive a court order requiring you or another person to provide health coverage for an eligible child
- You, your spouse, or dependent gain or lose Medicare or Medicare coverage

What is the expanded list of eligible expenses that medical spending accounts can now cover?

Medical spending accounts can now reimburse for certain over the-counter items and feminine hygiene products (without a need for a prescription) as part of the CARES Act. This is a permanent change and applies to purchases made after 12/31/19. This will include items like cold and flu medicine, allergy medicine, contact lens solution, aspirin, prenatal vitamins, sunscreen, feminine hygiene products, and bandages.

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