PROFESSIONAL GROUP PLANS
Specializing in Employee Benefits

FSA / HSA / HRA

Allowable plan changes and new rules to consider during the COVID-19 pandemic.

We thought it was important to outline allowable plan changes pertaining to FSA, HSA, and HRA plans that can be helpful to employees during this time of need. On the following pages you will find a Q & A that addresses the benefit of making each type of plan change.

Healthcare Flexible Spending Account (HFSA) - includes Limited Purpose FSA

A Healthcare FSA is an employee benefit account which allows employees to set aside pretax dollars to pay for qualified out-of-pocket medical expenses (e.g., doctor's copays, prescription copays, deductibles, etc.) incurred by the employee, their spouse, and dependents.

WHY should you consider making a change?

The COVID-19 crisis has drastically changed the medical landscape and thus the medical care needs of the employee.

WHAT are the changes to consider?

1. Election Changes are Allowed:
   Election changes to an employee's Healthcare FSA can be made anytime the employee's healthcare needs have been affected (including mid-year elections for eligible employees).

   - Consider the following election change needs:
     - Employee may have increased medical needs related to COVID-19-related care and thus need to increase their election.
     - Employees may have decreased medical needs as they are forced to put off non-elective care to a later time, maybe even until a new plan year.
     - Employees that are FSA eligible but waived coverage at the beginning of the year may be faced with unforeseen COVID-19-related expenses.

For additional guidance and help with implementation of any plan changes
contact your PGP Employee Benefits Consultant and your specific Plan Administrator (FSA, DPFSA, HSA, HRA, Transit)

Call us with any questions. We are here to help.
Long Island: 631.951.9200 • **New York City:** 212.840.4949 • **New Jersey:** 908.276.9399 • **Connecticut:** 203.413.2740

Healthcare Flexible Spending Account (Continued)

2. Over-The- Counter Drugs and Medicines are now reimbursable going back to Jan. 1, 2020:
Employees can now be reimbursed for OTC Drugs and Medicines, as well as menstrual care products.

- Consider the following:
  - Employee will now be able to purchase and be reimbursed for OTC drugs and medicines (e.g., aspirin, allergy medicines, and menstrual products).
  - While it will take a while for retailers to update their system, the employee can still submit for reimbursement online in most cases.

3. Increasing or Implementing Grace Period is Allowed:
A spend down provision can be implemented to allow employees with a Healthcare FSA who have terminated to spend down their accounts.

- Consider the following grace period need:
  - Employee has monies they have not been able to spend due to stay-at-home mandates and quarantines.
  - Implementing a grace period, or extending the one you have in place, affords the employee more time to spend their remaining FSA funds. This needs to be put in place prior to the plan year ending.

4. Increasing or Implementing a Carryover is Allowed

- Consider the following carryover need:
  - Employee has leftover FSA funds they have not been able to spend due to stay-at-home mandates and quarantines.
  - Implementing a carryover allows employees to use their leftover funds into the next plan year. This needs to be put in place prior to the plan year ending.

5. Increasing your Runout Period
This needs to be put in place prior to the plan year ending.

- Consider the following runout period need:
  - Employee has expenses from the previous plan year and are unable to get missing receipts from insurance carriers, doctors, and hospital as the COVID-19 crisis has assigned these tasks a low priority.
  - Employees need extra time to get the required documentation for expenses in order to avoid forfeiting their funds.

6. Make sure your plan allows for the reimbursement of FDA Approved COVID-19 Testing Expenses

- Consider the following regarding COVID-19 related diagnostic expenses:
  - Federal regulations mandate that FDA approved COVID-19 diagnostic testing and related expenses (urgent care visits, etc.) be covered by health plans.
  - Keep in mind the Healthcare FSA is considered a health plan.

Dependent Care Flexible Spending Account (DPFSA)

A Dependent Care FSA is an employee benefit account which allows employees to set aside pretax dollars to pay for work-related custodial care for a child under 13 years of age or a dependent over 13 who is mentally and physically incapable of self-care.

***WHY* should you consider making a change?**

The COVID-19 crisis has changed the work landscape in many ways including affecting an employee's dependent care needs.

***WHAT* are the changes to consider?**

1. Election Changes are Allowed:
Election changes to an employee's Dependent Care FSA can be made anytime the employee's dependent care needs have been affected (including mid-year elections for eligible employees).

- Consider the following election change needs:
  - Dependent care may not be needed during the crisis as the employee now works from home, is unable to get paid care so they remain home with their dependents.
  - There may now be need for care that did not exist before as now employee is an essential employee and rather than using a relative for care, they need paid care.
  - An essential services employee needs to change their day care arrangement because hours now differ which may increase the cost of care.

2. Implementing an Account Spend Down Provision is Allowed:
A spend down provision can beimplemented to allow employees with a Dependent Care FSA who have terminated to spend downtheir accounts. This needs to be put in place prior to the plan year ending.

- Consider the following spend down scenario:
  - An essential employee with a dependent care account is terminated and finds another job.
  - They would benefit by being able to spend monies they had contributed to their Dependent Care FSA with you but had been unable to spend.

Transit and Parking Accounts

Transit and Parking Accounts are each an employee benefit account which allows employees to set aside pretax dollars to pay for travel-to-work-related transit and parking expenses.

***WHY* should you consider making a change?**

The COVID-19 crisis has changed the work landscape in many ways including affecting an employee's to and from work transportation needs. Employees may have transit trips purchased that they cannot use, and essential workers may have switched their mode of transportation from transit to parking and need their transit contributions for parking.

***WHAT* are the changes to consider?**

1. Parking Can be Substituted for Transit:
To switch from a Transit Account to a Parking Account, an employee can simply change their elections.

2. Carrier Specific Only - Transit Refunds Can Be Obtained
Check with your PGP Employee Benefits Consultant for confirmation by carrier.

Note: Transit and Parking regulations allow participants to carry over funds from month to month so long as they remain employed. Additionally, they can change their salary reductions at any time for any reason. For those working from home they can use any unused benefits when they return.

Health Savings Account (HSA)

An HSA is an employee benefit account to which the employee contributes (often on a pretax basis) and in some cases the employer contributes, which is geared toward the reimbursement of qualified out-of-pocket medical expenses (e.g., doctor's copays, prescription copays, deductibles, etc.) incurred by the employee, their spouse, and dependents.

WHY should you consider making a change?

Employees should be made aware of their opportunity to make additional contributions to their HSA during this extended time period. With the COVID-19 crisis, tax matters have taken a back seat to the daily needs of many employees, so it is good to know as we come out of this crisis that the employee has this extra time to take advantage of this provision.

WHAT are the changes to consider?

1. Deadline for Employee 2019 HSA Contributions has been extended by the Internal Revenue Service (IRS) from April 15 to July 15, 2020.

2. Over-The- Counter Drugs and Medicines are now reimbursable going back to Jan. 1, 2020:
   Employees can now be reimbursed for OTC Drugs and Medicines, as well as menstrual care products.
   - Consider the following:
     - Employee will now be able to purchase and be reimbursed for OTC drugs and medicines (e.g.,aspirin, allergy medicines, and menstrual products).
     - While it will take a while for retailers to update their system, the employee can still submit for reimbursement online in most cases.

Health Reimbursement Arrangement (HRA)

An HRA is an employer-funded employee benefit account which reimburses employees for qualified out-of-pocket medical expenses (e.g., doctor's copays, prescription copays, deductibles, etc.) and in some cases premium expenses incurred by the employee, their spouse, and dependents.

WHY should you consider making a change?

The COVID-19 crisis has resulted in federal regulations that mandate that FDA approved COVID-19 diagnostic testing and related expenses (urgent care visits, etc.) be covered by health plans. Keep in mind an HRA is considered a health plan

WHAT are the changes to consider?

1. Make sure your plan allows for the reimbursement of FDA Approved COVID-19 Testing Expenses
   Election changes to an employee's Healthcare FSA can be made anytime the employee's healthcare needs have been affected (including mid-year elections for eligible employees).

2. Over-The- Counter Drugs and Medicines are now reimbursable going back to Jan. 1, 2020:
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     - Employee will now be able to purchase and be reimbursed for OTC drugs and medicines (e.g.,aspirin, allergy medicines, and menstrual products).
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