

Extension of Period to Incur Flex Expenses for plan year ending September 30, 2020

To assist with the nation's response to the COVID-19 outbreak and the unanticipated changes in the need for medical care and dependent care, PEEHIP has adopted the provision in IRS Notice 2020-29 that allows an extended period of time to apply unused amounts remaining in a Health FSA or DCRA as of our plan year ending September 30, 2020, to pay or reimburse for medical care expenses or dependent care expenses incurred during the remainder of the calendar year (October 1, 2020 - December 31, 2020).

Health FSA funds may only be used for medical care expenses while DCRA funds may only be used for dependent care expenses. A reimbursement request must be received by January 15, 2021, for expenses incurred by December 31, 2020. This extension will not delay the flex open enrollment period (July 1, 2020 – September 30, 2020), the start of the new plan year (October 1, 2020 – September 30, 2021), affect the maximum amount one can contribute for the new plan year, or affect the Health FSA carryover provision. The Health FSA carryover amount will be calculated after the January 15, 2021, filing deadline.

Unused funds remaining in the DCRA and funds in excess of \$500 remaining in the Health FSA after the filing deadline will be forfeited. The member must remain an active employee to take advantage of this extension.

For example, a member has a remaining balance of \$2,000 in the 2020 Health FSA as of the end of the plan year ending September 30, 2020, because a scheduled non-emergency procedure was postponed. For the new plan year beginning October 1, 2020, the member elects to contribute \$2,000 to the 2021 Health FSA. The member is able to reschedule the procedure between October 1, 2020, and December 31, 2020, and incurs \$1,900 in medical care expenses. For the eligible medical expense, the member requests reimbursement of \$1,900 from the \$2,000 remaining in the 2020 Health FSA, leaving a remaining balance of \$100 unused from the 2020 plan year. Under the PEEHIP Health FSA carryover provision, the member is allowed to carry over the remaining \$100 in the 2020 Health FSA to use in the new plan year on qualifying medical expenses incurred during the October 1, 2020 - September 30, 2021, plan year. The member may be reimbursed for up to \$2,100 (\$2,000 contributed to the Health FSA for the 2021 plan year plus \$100 carryover from the 2020 plan year) for medical care expenses incurred between October 1, 2020 and September 30, 2021.

If you have any questions, please contact our office at 877.517.0020.