

# COVID-19: HSA, HRA, FSA/DCA, Commuter Benefits & COBRA Updates for 2020

Updated: July 1<sup>st</sup>, 2020

The Internal Revenue Service released guidance to allow temporary changes to section 125 cafeteria plans. These changes extend the claims period for health flexible spending arrangements (FSAs) and dependent care assistance programs and allow taxpayers to make mid-year changes.

This provides greater flexibility for taxpayers by:

- Extending claims periods for taxpayers to apply unused amounts remaining in a health FSA or dependent care assistance program for expenses incurred for those same qualified benefits through December 31, 2020.
- Expanding the ability of taxpayers to make mid-year elections for health coverage, health FSAs, and dependent care assistance programs, allowing them to respond to changes in needs as a result of the COVID-19 pandemic.

A summary of all changes and useful links containing more detailed information can be found below:

## Useful Links:

- [IRS Guidance for FSA/HSA Relief and Flexibility during COVID-19](#)
- [Extension of Benefit Plan Timeframes Due to COVID-19 Outbreak](#)

## **Healthcare Flexible Spending Account / Dependent Care Account**

- Employees who are eligible to participate in the employer's Section 125 Cafeteria Plan are permitted to make prospective election changes during the 2020 calendar year without having to provide official documentation of the change in status.
- Employees can revoke an existing election, make a new election, and decrease or increase an existing election regarding healthcare FSA and DCA.
- Revised election amounts contributed to the Healthcare FSA may be used for expenses incurred during the plan year that begins on or after 1/1/2020.

- An employer is permitted to make these changes but is not required to do so.
- If the employer's FSA includes a carryover provision the maximum unused amount that can be carried over to the next plan year has increased from \$500 to \$550.

## **Health Savings Account**

- The IRS confirmed 2019 HSA contributions may be accepted up to the filing deadline of July 15, 2020. Contributions will need to be made in a manner other than through 2020 payroll deductions.
- Employees who are laid off can discontinue their contributions until they return to work.

## **Health Reimbursement Arrangements**

- Employers, if they decide to do so, can decrease the amount/type of expenses that are reimbursed during the plan year. While not a favorable option, it is allowed.
- Employees laid off or furloughed can submit manual claims for expenses incurred on or before their date of lay off or furlough unless the employer decides to keep them active on their HRA.
- Employers are also permitted to increase the amount/type of expenses that are reimbursed during the plan year.
- Employers can establish an additional HRA to pay for only COVID related expenses.

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## Contact Us:

*The Capstone Team is available to discuss your company's unique needs and situation.*

*Please contact us to schedule a consultation:*

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## **Commuter Accounts – Mass Transit & Parking**

- Just as prior to COVID, members can still increase, decrease, or discontinue their contributions at any time.
- Employees who were laid off can discontinue their contributions until they return to work.
- Certain transit authorities are allowing participants to obtain refunds for mass transit passes not used during COVID. Employees will need to contact the transit authority directly to determine whether they can receive a full or partial refund which will then get issued as a credit on their benefit card.

## **Over the Counter Eligible Items**

- The CARES Act permanently reinstated the coverage of OTC drugs and medicines as eligible for reimbursement under FSA, HSA and HRA without the need for a prescription.
- Participants may submit manual claims for any of these items purchased retro back to January 1, 2020.
- Menstrual care products are now considered part of the expanded list of OTC items reimbursable.

## **COBRA**

- The outbreak period is a new time convention beginning with the start of the National Emergency (3/1/2020) and ending 60 days after the end of the National Emergency (date TBD).
- Only applying to Federal cobra.
- State cobra is still following same protocol as prior to COVID with no extended timing.
- Cobra election timing: Any cobra beneficiary who has a qualifying event during the “outbreak period” will have 60 days after the end of the outbreak period to elect cobra.
- Cobra payment: any premium due during any month in the outbreak period will be tolled and payment will be considered timely if it is made 30 days after the end of the outbreak period. For initial premium payments due during the outbreak period continuants will have 45 days from the end of the outbreak period to pay.
- Cobra vendors are still following same protocol regardless of the new timing rules
  - If premiums are not paid within the 30-day grace period we will get notified to term the coverage for non-payment.
  - Coverage will get reinstated for anyone who brings their account current after termination during the outbreak period in compliance with the new guidelines.

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