TECHNICAL UPDATE

CTSI
Serving Colorado's Counties

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Changes to FSA and Health Plan Rules Expire

In response to the COVID-19 Pandemic, the Consolidated Appropriations Act, 2021 (CAA), along with guidance from the IRS, relaxed or expanded rules governing Flexible Spending Accounts (FSAs) and health plan elections for plans that ended in 2020 and 2021. Many of these expanded rules are temporary and will not apply to plans that end after 2021. Employers who adopted these expanded rules will need to revert to pre-pandemic rules for upcoming plan years.

HEALTH PLAN ENROLLMENT

Usually, employees can only enroll or make changes to their employer-sponsored health plans during open enrollment or if they have a change in status (e.g., marriage, divorce, loss of coverage, having or adopting a child, etc.). The IRS relaxed these rules for plans that end in 2021. Employers could permit employees to enroll, change, or drop (only if covered by another plan) health insurance plans. Regular pre-pandemic rules will go back into effect for plans ending in 2022 or later.

FLEXIBLE SPENDING ACCOUNTS

The IRS also allowed employers to adopt changes to FSA enrollment and election rules, grace periods, and carryover amounts. Plan years ending in 2020 and 2021 allowed employees to enroll, increase or decrease the annual election amount, or end their plan without a change in status. Employers were also allowed to extend the grace period for using FSA funds up to 12 months after the plan year ended. For 2022 plans, the grace period reverts back to 2 months and 15 days. The standard $550 carryover amount will also go back into effect for plans that allow a carryover. FSA accounts can allow a grace period or a carryover, but not both.

DEPENDENT CARE ASSISTANCE PLANS

Dependent Care Assistance Plans (DCAPs) had similar changes to enrollment and election and grace periods as FSAs. The maximum tax-exempt election amount was increased from $5,000 to $10,500 for plans ending in 2021. One notable difference for DCAP plans ending in 2020 and 2021 is the addition of a carryout provision. Employers are permitted to allow any amount, up to the account balance, to be carried over. The carryover provision will not be available going forward, and the grace period will revert to 2 months and 15 days.

WHAT THIS MEANS FOR COUNTIES

For county members who are part of the County Health Pool (CHP), no additional action will be needed for their health plans. CHP will adjust election and coverage rules as needed. Non-CHP members should review their health plans and revise election and contribution limits to pre-pandemic levels. For more information on how the CAA altered plan rules, read Additional Relief for Coronavirus Disease (COVID-19) Under §125 Cafeteria Plans Notice 2021-15 at https://www.irs.gov/pub/irs-drop/n-21-15.pdf. For more information about CHP, contact CTSI at 303 861 0507.

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