

Pandemic Relief *for* Group Health Plans with Flex COVID-19

We're in this together

From essential workers putting in more hours than ever before, to parents working from home for the first time with children out of school, to retail team members being out of work altogether, the COVID-19 pandemic crisis has affected almost every American.

Since these changes in employment can have a big impact on how employees use their group benefits, companies have asked for relief from the departments of Health and Human Services, Labor, and Treasury to allow mid-year election changes for employees on their group health plan options and health and dependent flexible spending arrangement contributions.

The Departments responded with IRS Notice 2020-29, COVID-19 Guidance under Section 125 Cafeteria Plans.

The guidance intends to provide tax relief through increased flexibility for taxpayers through employer-sponsored group health and FSA plans by allowing employers to permit mid-year election changes usually available only to employees experiencing a qualifying life event, such as a birth, marriage, or loss of employment.

Essentially, the Departments are making a one-time COVID-19 emergency qualifying life event for everyone, at the employer's option.

NEW Flex COVID-19 Plan Amendment

Employers can easily add new provisions to an existing Section 125 plan document with the all-inclusive Flex COVID-19 plan amendment package. For a low, one-time fee, the Flex COVID-19 package provides everything an employer needs to amend their plan with these new provisions.

And, for the first time ever, we are making the package available to all employers, even if your original plan document is not with us.

Options available to employers

According to the new guidance, an employer may amend a Section 125 Cafeteria Plan to permit employees to make a mid-year election as follows.

Group health insurance

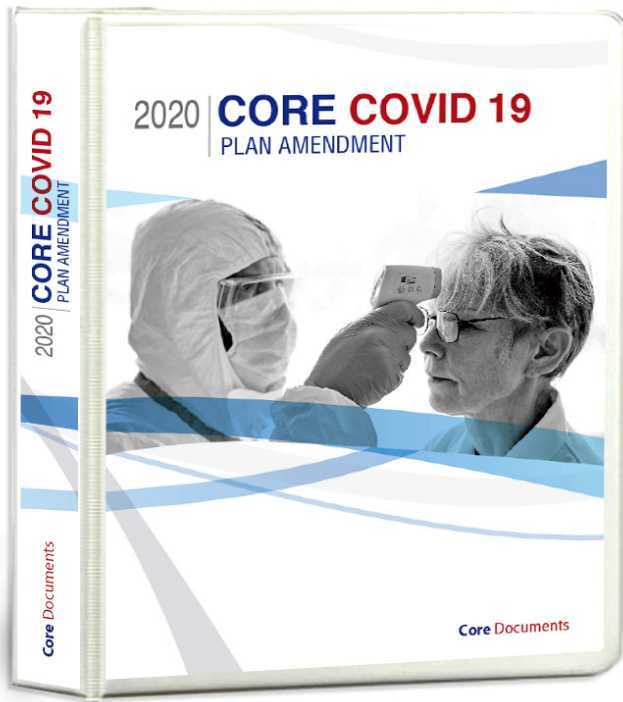
- Enroll or decline coverage for the balance of the year;
- Improve or decrease coverage type and amount;
- Change coverage type (self-only vs. family).

Health or dependent care FSA

- Enroll in or exit from an FSA;
- Increase or decrease contributions.

Expanded FSA carryover

Sponsors may also choose to allow an expanded grace period of unused 2019 FSA balances to cover eligible expenses for health or dependent care FSAs, respectively, incurred in the 2020 calendar year.



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- Section 125 Premium Only Plans (POP),
- Health Flexible Spending Account (FSA) Plans,
- Dependent Care Assistance FSA Plans,
- Individual Coverage HRAs,
- Small business HRAs,
- Section 105 HRA Plans for the self-employed,
- Excepted Benefit HRAs,
- Deductible Gap HRA Plans,
- Section 132 Transit & Parking Plans,
- ERISA Wrap SPD Documents – ACA required, and
- FSA and HRA online administration services.

More COVID-19 relief

The Coronavirus Aid, Relief, and Economic Security (CARES) Act includes additional taxpayer relief by repealing the so-called 'medicine cabinet tax' imposed by the Affordable Care Act, and adding a new category of over-the-counter (OTC) products that can be reimbursed through FSAs, HSAs, and HRAs.

OTC items without a prescription

Eligible medical expenses (see IRS Publication 502) will now be reimbursed without requiring a doctor's prescription. Items in this group include cough & cold relief products and pain relief medications.

New items covered

Also under the new coverage rules for FSAs, HSAs, and HRAs, is the inclusion of menstrual care products, such as, "tampon, pad, liner, cup, sponge, or similar product used by individuals with respect to menstruation"

Ongoing FSA carryover indexed to inflation

In IRS Notice 2020-33, the Departments announced that FSA carryover amount is no longer the static \$500 but will be indexed to inflation.

For 2020 plans, the carryover maximum is \$550.

Sponsors wanting to amend a Section 125 FSA to reflect the new 2020 carryover can add this provision to a Flex COVID-19 Plan Amendment package.