

2020 Quick Reference Matrix for Relaxed Mid-Year Election Changes, Extension to Incur Claims & Increased Carryover

In response to the COVID-19 pandemic, on May 12, 2020, the IRS released [Notice 2020-29](#), which provides temporary flexibility for mid-year election changes under a Section 125 cafeteria plan during calendar year 2020. In addition, an extended period of time has been provided to incur health flexible spending (FSAs) and dependent care assistance program (DCAPs) expenses.

On the same day but unrelated to COVID-19, the IRS also released [Notice 2020-33](#) which allows a modest increase of carryover to \$550 for the 2020 plan year. The carryover is now indexed for inflation which will allow a gradual increase to the carryover amount each year.

This Matrix summarizes the relaxed mid-year election changes, extension to incur claims and increased carryover.

Key Points:

- The entire list of **changes** is **optional** and can be **retroactive to January 1, 2020**.
- **Employers** need to **decide what changes** will be incorporated in their plan design.
- **Mid-year election changes** and **extension to incur claims** only apply during **calendar year 2020**.
- **Increase in carryover is a permanent plan provision**.
- **Amendments** to the plan with regard to changes need to be **adopted by December 31, 2021**. In the meantime, the **Employer must inform all eligible employees** of the Plan **the changes it will adopt**.

| Type | Current | New Options | Administration |
|--|--|---|---|
| Health Insurance Mid-Year Election Changes | An election is irrevocable for the plan year unless a qualifying life event has occurred. A mid-year election changed is only permitted within a specific duration of time after the qualifying life event (as stipulated in the Plan document) and the change must correspond with the event. | <p>Three new options are permitted for employees:</p> <p>Mid-year health plan enrollment even if the employee had previously waived coverage (i.e. special enrollment periods)</p> <p>Mid-year health plan option change between Employer sponsored plans or to add dependents. (i.e. Employee may switch from employee only coverage PPO to family coverage in an HMO)</p> <p>Revoke an existing election and enroll in a plan not offered by the Employer. An attestation must be completed by the employee.</p> | <p>Election changes must be prospective.</p> <p>This only allows for the employee portion of the premium to be pre-tax. There is no requirement that the insurance carrier or stop loss provider for self-insured plans will permit employees to enroll mid-year without experiencing a qualifying life event. It is important the insurance carrier or stop loss provider is consulted before permitting the change.</p> <p>Any eligible employee can request a change.</p> <p>Still cannot drop election because the employee “cannot afford” it. Employee must attest they have coverage elsewhere.</p> |



| Type | Current | New Options | Administration |
|--|--|---|---|
| Health FSA & DCAP Mid-Year Election Changes | An election is irrevocable for the plan year unless a qualifying life event has occurred. A mid-year election changed is only permitted within a specific duration of time after the qualifying life event (as stipulated in the Plan document) and the change must correspond with the event. | An employee may: Increase, decrease, make a new election or revoke an existing election for a health FSA | Election changes must be prospective. Employers can include the provision that elections cannot be reduced below the amount previously reimbursed. Any eligible employee can request a change. |
| Extended Deadline to <i>Incur</i> Claims Through 12/31/2020 | Employee must incur an expense within the Plan Year or Grace Period, if included in the Plan. | This applies to Plan Years or Grace Periods that end in 2020. This provision allows the employee to <i>incur</i> claims until 12/31/2020. The Department of Labor and Treasury previously issued deadline relief for claim submission . | An employer that adopts this extension may cause an employee to be ineligible for a Health Savings Account through December 31, 2020. A combination of the extended deadline to incur claims and carryover is permitted. |
| Carryover Increase | Carryover cannot be greater than \$500. | Effective with the 2020 Plan Year, the carryover amount can be indexed based on inflation. It is equal to 20% of the Section 125 allowable health FSA maximum annual election for that Plan Year. This number is rounded to the next lowest multiple of \$10. | Participant will surely appreciate the increased carryover amount. No cash-outs of unused balances but may be carried over to the next plan year, up to the maximum allowed, if included in the Plan |

IRS Example of Acceptable Written Attestation for Revoking Employer Sponsored Coverage

Name: _____ (and other identifying information requested by the employer for administrative purposes).

I attest that I am enrolled in, or immediately will enroll in, one of the following types of coverage: (1) employer-sponsored health coverage through the employer of my spouse or parent; (2) individual health insurance coverage enrolled in through the Health Insurance Marketplace (also known as the Health Insurance Exchange); (3) Medicaid; (4) Medicare; (5) TRICARE; (6) Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA); or (7) other coverage that provides comprehensive health benefits (for example, health insurance purchased directly from an insurance company or health insurance provided through a student health plan).

Signature: _____

