



Summary of Changes to FSAs, HRAs and other supplemental benefit plans

December 17, 2013

Given the flurry of changes to benefit plan administration as a result of the Affordable Care Act (ACA) and other regulatory changes, below is a summary of some of the more significant changes we'd like to share with you.

FSA: (Flexible Spending Accounts)

- **Carryover provision change:** The most significant changes to FSA plans are the \$500 carryover provision which relaxes the "Use It or Lose It" rule. This new option allows for employers to permit up to \$500 of unspent salary reduction dollars to an FSA health expense account to be carried over to the next plan year. *Note: This provision must be adopted prior to the end of your plan year.*
- **FSA integration requirement:** FSAs now require integration with a group sponsored health plan or run the risk of being noncompliant. However, limited FSAs (LFSAs) that reimburse dental and vision expenses only are still available without a group medical plan.
- **Transitional Relief for non-calendar-year plans:** [IRS Notice 2013-71](#) states that participants are allowed to prospectively revoke or change their salary reduction to their group sponsored health plan (EDP), health related expense plan (HRE) and/or limited flexible spending account (LFSA). In addition, employees who are not currently participating may choose to prospectively enroll in the EDP, HRE and/or LFSA plans. These one-time election changes are permitted without a qualifying change in status event. *Note: This provision must be adopted prior to the end of your plan year.*

HRA (Health Reimbursement Arrangements)

- HRAs must be integrated with an Employer Sponsored Group Health Plan.
- HRAs may no longer be considered "stand alone" unless they are limited to dental, vision and/or Rx.

Transportation Fringe Benefit Plans

- Transit plans have a new monthly maximum of \$130.00 effective January 1, 2014.
- Parking plans have a new monthly maximum of \$250.00 effective January 1, 2014.

Other Health-Related Premium (OHP) Plans

Recent guidance from both the Internal Revenue Service (IRS) as well as the U.S. Department of Labor (DOL) confirms a significant impact to utilization of "other health-related insurance premium" (OHP) Plan dollars. Details may be found in [IRS Notice 2013-54](#) and [DOL Technical Release 2013-03](#).

OHP plans will be discontinued effective December 31, 2013. **Note:** *current contributions elected by your employees **may no longer be deducted** effective January 1, 2014 on a "pre-tax" basis to pay for the following policies:*

- Individual medical policies purchased inside or outside the healthcare exchanges
- COBRA policies
- Medicare premiums

Supplemental Premium Account

We have created a new account for supplemental premiums not deducted through payroll. This account can be used for the following policies:

- Supplemental insurance premiums for dental or vision coverage
- Eligible premiums for policies such as accident, hospitalization, specified disease, or ambulance coverage
- Medicare supplemental coverage (such as Medicare Part D)

If you would like to offer this account to your employees, please contact your Client Service Representative.

Premium Only (POP) Plans

Transitional Relief for non-calendar-year plans: [IRS Notice 2013-71](#) states that participants are allowed to prospectively revoke or change their salary reduction to their group sponsored health plan. This one-time election change is permitted without a qualifying change in status event. Note: This provision must be adopted prior to the end of your plan year.

Should you have additional questions or need to make any changes to your current benefit offerings, please contact your Client Service Representative or visit us at Pacificsource.com/PSA.

Thank You!

We value your business and hope this information was helpful. If you have questions, you're always welcome to contact us by phone or email.

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