



## New Rules for Mid-Year Election Changes under Cafeteria Plans

The IRS recently issued [Notice 2014-55](#), which expands the situations in which individuals may change their health coverage elections under a Section 125 (cafeteria) plan.

While the current regulations will be revised, the guidance is effective immediately.

Please note that plans are *not required* to adopt the new election change rules. If adopted, however, cafeteria plan documents must be amended to include the new options.

This change will be helpful for individuals who haven't been able to enroll in coverage through the health insurance Marketplace due to current regulations.

### **Under what circumstances can an employee change their election?**

Currently, there are limited exceptions for certain "status events" that permit mid-year election changes: if permitted by the plan and if the election change is consistent with the status event.

Notice 2014-55 addresses cafeteria plan elections in two specific scenarios related to coverage availability through a health insurance Marketplace (exchange). An employee may revoke their plan election to purchase coverage through a Marketplace if:

- The employer has reduced the employee's hours of service, and the employee will average fewer than 30 hours of service per week, but the reduction does not affect eligibility for the group health plan coverage; **or**
- The employee would like to terminate coverage under the employer's group health plan and purchase individual coverage through a Marketplace, without experiencing duplicate coverage or no coverage.

A cafeteria plan may now allow an employee in either of these situations to *prospectively* revoke his or her group health plan election before the end of the plan year, as long as the plan is not a health FSA and provides minimum essential coverage (MEC).

Employees may not revoke coverage retroactively, and certain other conditions must be met for the change to be allowed.

### **What you need to do**

If you decide not to adopt the permitted election changes for your cafeteria plan, there's nothing you need to do. However, if you would like to adopt them, your cafeteria plan will need to be amended. We've created a [Mid-year Election Plan Change Form](#) specific to this new guidance for your convenience.

The amendment must be adopted on or before the last day of the plan year in which the elections are allowed. It may be effective retroactively to the first day of that plan year, if: the cafeteria plan operates in accordance with guidance under the Notice; and the employer informs participants of the amendment.

### **Questions?**

If you have any questions about this notice, please contact us at 800.422.7038, [psacustomerservice@pacificsource.com](mailto:psacustomerservice@pacificsource.com)