



Company Name _____ Date _____

Group Number _____

RE: New Rules for Mid-Year Election Changes - IRS 2014-55

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.

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.

If we do not receive this amendment PacificSource Administrators **will default your plan as Opt-Out** to this provision which will prevent a mid-year election change under these new qualifying event types. We would prefer you respond so your decision is clear.

Option 1: Opt-In by checking the box below: We will amend our plan to allow these two new qualifying events

I hereby elect to Opt-In and want to adopt the 2014-55 Mid Year Election Changes provision.

Option 2: Opt-Out by checking the box below: We do not wish to allow these additional qualifying events to our plan.

I hereby elect to Opt-Out and do not want to adopt the 2014-55 Mid Year Election Changes provision.

Printed Name / Title

Signature

Date

Please sign and return this letter to:
PacificSource Administrators, Inc.

Email to: psasales@pacificsource.com or via fax to: 800.575.1109