0710.60 Flexible Spending Accounts (FSA)

NEW: The Consolidated Appropriations Act, 2021 (CAA), signed into law near the end of 2020, gives employers the option to allow participants to roll over all unused amounts in their health and dependent care flexible spending accounts (FSAs) from 2020 to 2021 and from 2021 to 2022.

Employers can also allow employees to change their health FSA or dependent care FSA contribution rate during 2021 without requiring an election-change event such as the birth or adoption of a child, or a change in marital status.

In response to this legislation, UMS will be opening up both Dependent and Health Care FSA’s for eligible employees to elect or change an election made during our most recent open enrollment in November.

This additional FSA open enrollment will be available in MaineStreet and Employee Self-Service March 15 through March 22, 2021

Here are the 2021/2022 FSA opportunities that employees need to consider:

Unlimited carry-overs now allowed for 2020 and 2021 for both health and dependent care FSA’s – rollovers for these two years are no longer limited to $550.

All unused amounts in a health or dependent care FSA may be carried over from the 2020 plan year to the 2021 plan year, and from the 2021 plan year to the 2022 plan year. This rule applies to dependent care FSAs even though carry-overs are otherwise not permitted for these accounts.

Election changes for the remainder of 2021

For plan years ending in 2021, participants may prospectively modify their health FSA or dependent care FSA contributions for any reason. Plan sponsors may limit permitted election changes for health FSAs to avoid overspending in these accounts.

Post-termination reimbursements from health FSAs

An employee who stops participating in a health FSA during 2021 may continue to receive reimbursements from unused amounts through the end of the plan year, including any grace period. Unlike reimbursements available to participants who have elected COBRA coverage following their termination, this rule does not require that the participants make further contributions to access their unspent funds.

Carry forward for aged-out dependents in dependent care FSAs

Although current rules limit reimbursement of qualifying dependent care expenses to children under age 13, the CAA provides an extra year for children who “aged out” during the pandemic. Employers can allow unused dependent care FSA amounts for children until they turn age 14, at least through the end of the 2021 plan year.

Update: April 15, 2021 is the deadline to submit reimbursement for your 2020 Flexible Spending Health Care or Daycare Accounts. The IRS extended the 2019 tax filing deadline due to the COVID-19 pandemic, therefore UMS has opted to adjust the 2019 claims submission deadline as well.

Reminder: All unused 2020 FSA funds may be carried into 2021 and will be available to be used for 2021 incurred expenses.

The University provides Health Care FSA participants to carry forward up to $550 of their annual election into the following calendar year without penalty. For example, if you set aside $1,000 in the Health Care FSA for the current calendar year and only incur expenses of $450, the remaining $550 will be rolled over to the next calendar year to be available in that calendar year.

IMPORTANT: This option applies only to the Health Care FSA - it does not apply to the Dependent DayCare FSA.

FSA - Healthcare $550 Rollover Q & A

- EBPA Frequently Asked Questions RE: New over-the-counter rules
- EBPA website (Third-Party Administrator) - Enter University of Maine System as the Employer Name
- FSA Summary Plan Description
  - FSA SPD $500 Rollover Amendment
  - FSA SPD Debit Card Amendment
  - FSA Brochure & Online Account instructions
  - Eligible Day Care Expenses
  - Eligible Health Care Expenses
  - Effective January 1, 2020, Cares Act was signed into law. This new legislation expanded the list of expenses that are considered eligible by including many over-the-counter (OTC) drugs and medications, which you can now purchase without a prescription using your FSA card. Please refer to our third-party administrator's website at www.ebpabenefits.com for a complete list of eligible OTC expense.

Submitting Claims for Reimbursement
All employees who work at least half-time may choose to enroll in Health Care and/or Dependent Day Care FSA plans. The FSA plans are designed to let participants pay for eligible expenses with before-tax dollars. Funds in the FSA plans are not subject to federal or state income or social security taxes resulting in valuable tax savings. Participation in these accounts is entirely voluntary. Employees may sign up for one, both, or neither option. Employees must re-enroll each year for the accounts, even if they participated the previous year.

USING THE ACCOUNTS

FSAs work much like checking accounts. Before the beginning of each calendar year, employees decide how much they want to deposit in each account for the following year. The money will be automatically deducted from paychecks each pay period in equal amounts – before any federal, state income, or Social Security (FICA) taxes are taken out.

The maximum amount employees can contribute in a calendar year is:

- 2021: $2,750
- 2020: $2,750
- Dependent Day Care $5,000

The minimum amount employees can contribute to either account in a calendar year is $200.

Employees then continue to pay expenses as they do now (or use the FSA Benefits Card). After employees pay expenses that qualify under the program, they simply submit a claim form to EBPA, the University’s FSA administrator, along with receipts for expenses, and employees will be reimbursed in before-tax dollars (see Submitting Claim Forms below). For health care expenses, you may be reimbursed up to the amount of your annual deposit. For dependent daycare expenses, employees can only be reimbursed up to their account balance as of their last paycheck.

MAKING CHANGES

Because you are restricted from changing your deductions after you enroll, it is important that you carefully plan your decision to participate in FSA Plans. Contribution amounts may only be changed in the event of a qualified status change as defined by the Internal Revenue Service (IRS).

PLANNING YOUR CONTRIBUTIONS

Beginning with calendar year 2014, IRS rules allow up to $500 of unused funds to be carried forward into the new year. The IRS requires that any unused amounts left in FSA accounts at the end of the plan year be forfeited. Therefore, employees should be sure they do not set aside amounts in excess of what they can claim during the plan year. If participants are not reasonably certain that they will have the types of eligible expenses provided for under the program, then they should not enroll in FSA plans. If, however, employees determine that they are going to have eligible expenses that must be paid anyway, why not pay them with before-tax dollars?

If, at the end of the year, employees have outstanding claims that were incurred during the calendar year, they have until April 15 to submit these expenses for reimbursement. After that date, any money left in accounts is automatically forfeited.

ELIGIBLE FSA HEALTH CARE EXPENSES

Employees can use their Health Care FSA to be reimbursed for health care expenses that are not paid or reimbursed by any other medical or dental insurance. Refer to the FSA Summary Plan Description for details. Examples include:

- Medical expenses not covered by insurance.
- Dental expenses not covered by insurance.
- Copays, deductibles, or coinsurance amounts.
- Eye examinations (not covered by insurance), glasses, contact lenses, and supplies.
- Other health expenses, such as weight loss or smoking cessation programs prescribed by a physician.
- Eligible over-the-counter drugs

Note:

- If you use the Health Care Account for these expenses, you cannot also take a tax deduction on your income tax return.
- The premiums you pay for medical and dental coverage out of your paycheck are not eligible expenses.
- Flexible Spending Accounts may not be used for a non-federally tax-qualified dependent in accordance with IRS rules.

ELIGIBLE FSA DEPENDENT DAY CARE EXPENSES (Not Health Care)

Employees can use their Dependent Day Care FSA to be reimbursed for child or dependent daycare expenses. Examples include:
• Expenses for dependent daycare that enable employees (and their spouse) to work or to attend school.
• Services inside or outside employees’ homes.
• Services in a dependent or child care center or nursery school.

DEPENDENT DAY CARE TAX CREDIT

Dependent Day Care FSA contributions cannot also be claimed as federal income tax deductions. For most people, the Dependent Day Care FSA will provide greater tax savings than the federal credit.

SUBMIT CLAIM FORMS FOR REIMBURSEMENTS

If employees choose not to use the new FSA Benefits Card, reimbursements can be obtained by completing a claim form, attaching appropriate receipts and returning to EBPA at the address listed on the claim form. Please refer to the reimbursement schedule for dates of reimbursements.

Please contact EBPA with questions regarding your FSA Account.

FSA Benefits Card

Helpful Tips on using your EBPA Benefits Card:

• Save all of your receipts for future reference
• Always swipe as credit (no pin #)
• FSA Funds can be used to pay for your expenses or your tax-qualified dependents’ expenses
• You will receive a letter requesting itemized receipts if you use your card for:
  • Dental or vision expenses
  • An amount not equal to your regular co-pay for doctor visits
  • Hospital bills
  • Ineligible expenses
  • Purchases made at non-IAS compliant businesses
• If you receive a letter from EBPA requesting documentation, you can either:
  1. Send EBPA the requested itemized receipt or Explanation of Benefits (EOB);
  2. Send a different receipt or EOB for other eligible expenses you paid out of pocket; or
  3. Pay back the funds

All University of Maine System FSA participants will receive an EBPA Benefits Card to use when purchasing qualified Health Care and Dependent Day Care expenses.

While UMS hope employees take advantage of the convenience the Benefits Card offers for Health Care and Dependent Day Care expenses, employees are not required to do so; use of the new EBPA Benefits Card is optional. Employees will continue to have the option of submitting paper claims which may be either faxed or mailed to EBPA. The fax number is 603-773-4415 and the mailing address is P. O. Box 1140, Exeter NH 03833-1140.

Employees will have 24/7 online access to review account balances, contributions, transaction history, and claim status for both Health Care and Dependent Day Care accounts. This system will require you to set up a new log-in the first time you sign in. Click here for detailed instructions on how to set up your new online account.

Please contact EBPA (888-678-3457) with any FSA questions or concerns.

Contact the Employee Benefits Center

The above is a brief summary of benefits offered by the University of Maine System. If you have a question about benefits enrollment, call toll-free 866-269-9635 (or 973-3373) or email benefits@maine.edu. Have your Employee ID number for faster service.