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IMPORTANT FSA CHANGE

On November 1, the U.S. Treasury announced some major modifications to the "Use It Or Lose It" rule, which required any leftover balance in a Flexible Spending Account (FSA) to be forfeited at the end of the plan year.

- Effective in plan year 2014, employers that offer health FSAs will have the option of allowing participants to roll over up to \$500 of unused funds at the end of the plan year;
- Effective immediately, employers that offer health FSAs that do not include a grace period will have the option of allowing employees to roll over up to \$500 of unused funds at the end of the current 2013 plan year;
- The carryover option is an alternative to the grace period rule;
- Carryover of up to \$500 does not affect the maximum amount of salary reduction contributions that the participant is permitted to make to a health FSA (\$2500 adjusted for inflation after 2012); and
- To utilize the new carryover option, a plan offering a health FSA must be amended to set forth the carryover provision. The amendment must be adopted on or before the last day of the plan year from which amounts may be carried over and may be effective retroactively to the first day of that plan year.

Note the immediate importance of this change, as it impacts 2013 contributions being rolled over to 2014. If you currently offer HSA's, or plan do to so, the FSA rollover will not be allowed for employees in HSA's. This could add an administrative tracking burden. If you want to provide a rollover from 2013 to 2014 you will need a plan amendment before the end of the year.

ACA UPDATE

Eligible individuals now have until March 31 to sign up for health insurance even if the coverage does not begin until later.

In the Marketplaces, individuals must sign up by the 15th of a given month in order for health insurance to start on the first day of the next month. As a result, some have asked whether consumers could face a tax penalty if they don't enroll in coverage by Feb. 15th of next year. This is currently not the case. Individuals who enroll by March 31, 2014 will not face a penalty.

During the initial open enrollment period, for plan selections made between the 1st and the 15th of a given month, the coverage effective date is the first day of the immediately following month. For plan selections made between the 16th and end of a given month, the coverage effective date is the first day of the second following month.

An individual may go without coverage for up to 3 months before being considered uninsured for the year and therefore violating the individual mandate. After 3 months, uninsured individuals without exemptions will be subject to the tax penalty.



SPOTLIGHT
FSA Changes
and ACA
Update

TRANSITIONAL REINSURANCE FEE

There has been a lot of discussion about the transitional reinsurance fee lately. We hope you find these details helpful as many ACA regulations take effect.

- The amount of the transitional reinsurance fee for 2014 will be \$63 (or \$5.25 per month) per covered life. The amounts for 2015 and 2016 have not yet been set.
- The fee applies per covered member—and not per employee or subscriber—covered spouses and dependents, as well as covered employees, will generate fees.
- A plan sponsor may contract with a third-party administrator to calculate and pay the fee.
- Plan sponsors and insurers are required to report their enrollment counts by November 15 of each year (2014, 2015, and 2016). HHS then will provide a notice of fee liability by December 15, and the plan sponsor or insurer will have 30 days to remit the transitional reinsurance fee to HHS.
- The fee may be paid through a plan's assets if a VEBA exists, according to ERISA guidelines.
- Plan sponsors that offer multiple plans may aggregate plans to avoid double counting covered lives.

Evolution Benefits Consulting is here to help with all of your employer benefits questions. Please contact us at (610) 722-0570 or info@evoben.com for more information. Thank you.