

Financial Relief Through COBRA and FSA Changes

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There's no doubt that the COVID-19 pandemic has created various financial constraints on Americans. From job losses and furloughs to the need for continued healthcare coverage and tax savings, our communities are feeling the pain. To provide some economic relief, the IRS and Department of Labor (DOL) recently released more guidance on changes to Section 125 Plans and COBRA provisions.



COBRA Changes

First, let's look at how the typical COBRA time frames have been frozen during what the Federal government has deemed the "outbreak period". The beginning of the outbreak period has been designated as March 1st, and it will end 60 days after the announced end of the National Emergency Declaration. This time during the outbreak period will not count toward the days allowed to elect COBRA, the days allowed to submit COBRA premiums, or the days allowed to inform an employer of a COBRA qualifying event. The allowed time periods will continue from March 1 until 60 days after the national emergency is declared to be over. Once the official outbreak period is over, standard timeframes will begin from that day. This IRS Notice has essentially extended COBRA timeframes, providing Americans who have lost their healthcare coverage due to a job loss or furlough with more time to consider their options.

For example, in the case of electing COBRA:

- Assume a COBRA notice was mailed on March 1, the day outbreak period starts.
- If the national emergency hypothetically ends on May 31, then 60 days after that, or July 30th, would be the outbreak period end date.
- The 60 days for the beneficiary to elect COBRA starts on July 30 and extends to September 28.
- Payment deadlines are similarly delayed.

Required FSA Changes

Secondly, several changes were made involving Flexible Spending Accounts (FSAs). The first is an extended time period to submit claims for 2019 expenses, typically known as the run-out period. If your FSA run-out period was set to end on March 1, 2020 or later, the deadline to submit claims for reimbursement that were incurred prior to December 31st, 2019 has been postponed until 30 days after the outbreak period ends. Again, the outbreak period ends 60 days after the national emergency is declared over. Also, the carryover amount for plans that have that provision for 2021 has been increased from \$500 to \$550. This Notice gives participants more flexibility in using their funds and submitting them for reimbursement.

Optional Changes to FSA and DCA Accounts

There is an additional Notice which outlines other optional changes to FSAs and Dependent Care Accounts (DCAs). These changes involve allowing FSA election changes mid-year and changes involving grace periods and rollover provisions. Below are the optional changes an FSA Plan Administrator can make.

Option 1:

- Permit employees to start, stop and/or increase or decrease their existing election going forward without a qualifying event
- Funds that have already been contributed through payroll year-to-date will not be refunded
- The employee is limited to reducing their total contribution to no less than the GREATER of the amount the employee already contributed, and the amount already reimbursed

Option 2:

- Allow employees to use leftover funds from their 2019 FSA for expenses incurred until Dec 31, 2020
- If your plan has the grace period option, extends the grace period through Dec 31, 2020
- If your plan has the carryover/ rollover provision, all remaining funds from 2019, not just the usual \$500, can be used towards the 2020 plan year expenses through Dec 31, 2020

To take advantage of these optional FSA and DCA changes, you must notify your Third Party Administrator (TPA) that you wish to opt in. Keep in mind that these changes will require a Plan Document amendment by December 31, 2021, and your TPA may charge a fee for this.

Hopefully this added flexibility in the COBRA and FSA provisions will help ease the financial burden on our country. Please contact your trusted Employee Benefits Advisor for more information.
