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DC Department of Human Resources

Health Care Flexible Spending Account Carryover Frequently Asked Questions

What is a Health Care Flexible Spending Account carryover?

An Internal Revenue Service (IRS) change to the Health Care Flexible Spending Account (HCFSA) modifies the "Use-It-or-Lose-It" rule and allows participating active employees to carry over up to $500 in unused funds from one year to the next. The District allows HCFSA participants to carry over up to $500 of unused funds from the previous year into the next plan year. This means that if you were enrolled in a 2016 HCFSA, you may be eligible to carry over up to $500 of unused funds from 2016 (after the March 31 run-out period).

Does the carryover affect how much money I can put in my Health Care Flexible Spending Account?

No. The carryover will not count toward the annual contribution limit of $2,600; it is in addition. You may still choose to contribute up to $2,600 during Open Enrollment for the new plan year even if you carry over $500 from the previous year. Therefore, $3,100 is the HCFSA annual maximum allowed balance.

Who is eligible to receive the carryover funds?

You are automatically eligible to receive the carryover funds as long as you are an active employee and eligible to participate in the HCFSA on the day the funds are carried over to the new plan year's HCFSA. If eligible, carryover funds will be credited to your HCFSA in late April (after the March 31 run-out period). If you terminate employment or are not eligible to participate in the HCFSA, normal termination rules will be applied and any carryover balance may be forfeited. The rollover amount will be sent to the new FSA provider, Benefit Resource, Inc. (BRI) and added to your account. It will be available for use by May 2017.

Example: *You are an active, benefits-eligible employee. On March 1, your job changed and you are scheduled to work less than 50% time. If you work less than 50% time you are not a benefits-eligible employee. As a result, you will not receive the carryover funds in late April. Instead, any monies (including carryover funds) left in your HCFSA from the prior year will be forfeited.*

How does the $500 carryover work?

Employees have until December 31 to incur eligible expenses for reimbursement from their HCFSA. The last day to submit a claim for reimbursement is March 31 of the next calendar year, referred to as the "run-out period." Up to $500 of the unused balance left in the previous year's HCFSA may be carried over after all disbursements are final and the run-out-period has ended. The funds will be credited to your account in late April and be available for use by May 1.

When will the carryover funds be in my Health Care Flexible Spending Account?

The carryover balance will be determined after the run-out period from the previous year has closed and all outstanding claims for the FSA plan year have been processed and paid. Once all claims have been disbursed, the final balance will be determined. March 31 is the last day of the run-out period for the previous FSA plan year, so any carryover balance will be available in the new HCFSA by mid-April. The unused balance of $500 or less will carry over to the new plan year's HCFSA and added to your Available Balance.

Example: *You contributed the maximum of $2,550 to your HCFSA in 2016, but you only claimed $1,800 of eligible expenses by December 31, 2016. You have until March 31, 2017 to submit eligible receipts dated on or before December 31, 2016 for reimbursement of the remaining $750 of eligible claims. If you don't claim the remaining $700 unused balance, only $500 may be carried over in late April 2016. The extra $200 balance will be forfeited.*

After late April, you can log on to BRI's website to view your FSA account information and the carryover balance. The carryover balance will be added to your Available Balance. The amount in your Available Balance is what you will be reimbursed from. If you are an active employee and you are eligible to participate in the HCFSA at the time the funds are carried over, a new HCFSA will be automatically created for you and you will be able to access and track your carryover funds balance by logging on to BRI's website and viewing your account. You do not have to re-enroll in an HCFSA during Open Enrollment. Your HCFSA annual election will be $0; however, the Carryover field and Available Balance will be populated with the carryover amount.

Can I carry over my unused Health Care Flexible Spending Account dollars from year-to-year?

Yes, you may carry over up to $500 of unused funds in your HCFSA from year to year as long as you are an active employee and eligible to participate in the FSA plan. However, you cannot carry over the same $500 of unused funds from 2016 into the 2018 plan year. You have one year to use the unused HCFSA funds.

Does the Dependent Care FSA include a carry over?

No. IRS rules do not allow you to carry over Dependent Care FSA funds.

What if I have more than $500 in my Health Care Flexible Spending Account at the end of the run-out period?

The IRS "Use-It-or-Lose-It" rule applies. To avoid forfeiting any monies, it is important to spend down your account by December 31. After the end of the run-out period, you lose any money left in your HCFSA that is more than the maximum carryover limit of $500. The forfeited funds will not be returned to you or transferred to another account — this follows current IRS rules.

Example: *You have an $850 unused balance from the 2016 HCFSA plan year (after the March 31, 2017 run-out deadline), but only $500 of the remaining $850 will carry over in late April 2017 and be available by May 2017. The remaining $350 will be forfeited.*

What if I enroll in the Aetna Consumer High-Deductible Health Plan with a Health Savings Account?

If you enroll in the Aetna Consumer High-Deductible Health Plan (CDHP) with the Health Savings Account (HSA), you are not eligible to have an HCFSA. If you are currently enrolled HCFSA and decide to enroll in the Aetna CDHP with an HSA during Open Enrollment for the upcoming year, you must spend down your HCFSA balance to zero by December 31. IRS rules do not allow employees to have an active FSA and HSA at the same time. As a result, you can choose to either spend down your remaining HCFSA funds before December 31 or forfeit your balance, which would include the carryover balance.

Which monies will be used first — the new plan-year amount or the carryover amount from the previous year?

If you incur expenses before the carryover funds are credited to your account, you will use your annual election for the new plan year before being reimbursed for any claims from the carryover funds from the previous plan year.

Please Note: Carryover funds will not be credited to your account until late April. If you have expenses in the early part of the year, those expenses may be reimbursed from your new annual election. Once the carryover amount is credited to your account, the carryover funds will appear in the Carryover field when you log into BRI's website. The carryover amount will also be added to your Available Balance in May 2017, so you may see the total funds that will be available to you for the rest of the plan year.

Example: *You elected to contribute $1,000 to an HCFSA during Open Enrollment. In January, you incur medical expenses in the amount of $780. Because the carryover funds will not be available until May, you will be reimbursed $780 from your $1,000 annual amount. You will still have $220 remaining in your Available Funds. As of May 2017, you had $400 from the previous year that you have not used. The $400 is the carryover balance and will be added to the $220 that remains from the new annual election. The carryover funds and the leftover balance are blended and show as the Available Balance in the amount of $620. You will need to re-submit a claim for any unreimbursed amount after your carryover funds are credited to your FSA account. You may also use your debit card to access Available Balance, including any carryover funds, when they become available.*

What happens to my carryover funds if I leave the District or am no longer eligible for the Health Care Flexible Spending Account plan?

If you terminate employment, termination rules will be applied to the HCFSA. If applicable, you will be offered COBRA to continue your HCFSA. This will be determined at the time of termination. COBRA allows you the opportunity to continue participating in a benefit in which you were actively enrolled immediately before you terminated your employment, such as medical, dental, vision and flexible spending accounts. In addition to having been enrolled, you can only continue an HCFSA through COBRA if your current year-to-date contribution amount exceeds your year-to-date reimbursements from your HCFSA. If you have contributed less than what you have already been reimbursed through your HCFSA, then COBRA will not be available to you.

Whether you enroll in COBRA, you can submit claims for eligible expenses through the March 31 run-out period, as long as the service date(s) of the expense is on or before the end of the month in which you terminate. If carryover funds have already been credited to your Available Balance before you terminate, then the Available Balance is the amount that would be reimbursable against eligible expenses. If carryover funds have not been credited before your termination date, then the carryover funds will only be available if you are eligible to enroll in and pay for COBRA.

Example 1: You terminate in November 2016 *If applicable, you may be offered COBRA to continue your HCFSA. If you elect COBRA and make contributions through the end of the year, claims must be submitted by March 31. If there is a remaining balance of $500 or less left in your HCFSA by March 31, the balance is carried over to a new 2017 HCFSA account. You may continue to use the funds until they are exhausted or until the COBRA period is exhausted, whichever comes first.*

Example 2: You terminate in 2017 before late April *If you enrolled in an HCFSA in 2016 and also enroll in an HCFSA for $800 in 2017. You have until March 31 to claim reimbursement for any expenses incurred through 2016. If you terminate before late April, then you must incur expenses through the end of the month in which you terminate. Otherwise, if COBRA is offered, you can continue to participate in your HCFSA.*

Please Note*: For you to be eligible for the carryover, you must be offered COBRA and elect COBRA to remain active in the 2016 HCFSA. If you are active and contributing to COBRA when the carryover is determined, any carryover balance of $500 or less will be added to your 2017 Available Balance. As long as you remain active through COBRA, you will have access to the Available Balance. If you terminate COBRA, any balance will be forfeited.*

Example 3: You terminate in 2017 after late-April *You enroll in the 2017 HCFSA for $1,500. In addition, you have a carryover balance from 2016 in the amount of $200, which was added to your 2017 HCFSA Available Balance for a total of $1,700. Your termination date is July 31, 2017. If the Available Balance at the time of your termination is $1,000, in order for COBRA to be offered, your year-to-date Health Care FSA contributions must be higher than the year-to-date amount that has already been reimbursed. Your HCFSA contributions to date equal $875; total reimbursements are $500. Because the year-to-date amount contributed is higher than the total year-to-date reimbursements, COBRA would be offered. You would need to elect and pay your COBRA contributions to keep the HCFSA active. If you terminate COBRA, any balance will be forfeited. If you had the carryover balance of $200 added to a 2017 HCFSA, but did not enroll in an HCFSA for 2016, COBRA would not be offered and the carryover balance would not be available after your termination date of July 31, 2017.*