navia benefit solutions

FSA Plan Changes in December 2020 COVID Stimulus Bill

Understand the changes and the actions you need to take

Overview

In late December, 2020, the federal government passed COVID stimulus legislation that included several relief provisions for Flexible Spending Account (FSA) participants. The provisions are intended to help employees access unused FSA balances who made decisions to participate and contribute to a health care or day care FSA prior to 2020, but have been unable to utilize eligible services or care during COVID outbreak. Find the legislation for H.R. 133 Consolidated Appropriations Act **HERE**.

The below chart provides guidance and resources related to each change, along with Navia's support for the change and any recommended actions to take. **Employers should email employerservices@naviabenefits.com with any questions or concerns.**

Plan Change Description	Dates Effective	Temporary or permanent?	Navia's Recommendation	Additional Considerations
Unrestricted Carryover through 2022 Employers can change their health and dependent care FSAs to allow carryover of all unused amounts from 2020 to 2021 and from 2021 to 2022.	Applies to plan years ending in 2020 and 2021. Can carryover balances for 2020 to 2021, and 2021 to 2022	Temporary for 2020 and 2021.	Recommended for all plans with carryover. Navia will automatically increase your carryover limit to the plan maximum unless you specifically opt out. Navia also recommends adoption of this provision for employers who currently do not offer carryover.	
Extended 12-Month Grace Periods for HC and DC FSA Employers can adopt a 12-month grace period for unused benefits or contributions in health and dependent care FSAs for plan years ending in 2020 or 2021.	Applies to plan years ending in 2020 and 2021.	Temporary for 2020 and 2021.	Not recommended for employers who do not already offer the grace period and/or any employer who offers or is considering offering an HSA plan in 2021. Employers with existing grace periods should consider using this opportunity to convert to a carryover plan.	If adopted, this provision could affect employees' ability to make HSA contributions for the duration of 2020 and 2021 if the EE has an FSA balance after the PY ends.
Allowances for Terminated Employees Health FSA participants who terminate their employment during the 2020 or 2021 plan year can spend down their unused balances for expenses incurred through the end of the plan year in which the termination occurred.	Applies to plan years ending in 2020 and 2021.	Temporary for 2020 and 2021.	Recommended for all employers. Navia will begin processing claims for terminated employees consistent with the existing process for terminated employees in Day Care FSA plans, unless you specifically opt out.	
Increase in Eligibility Age for Dependent Care The age for eligible dependents in a dependent care FSA can be increased from 12 to 13 for the 2020 plan year.	Applies to the most recent year that had a regular open enrollment on or before January 31, 2020 and where a dependent turned 13 years old.	Temporary, for 2020 plan years and unused amounts carried over into 2021.	Not recommended for all employers.	The language in the law is very nuanced and based on the timing constraints may not be very impactful for your participants, therefore, we do not recommend adoption.
Election Changes without Qualifying Status Events Employers can permit prospective changes in election amounts for health and dependent care FSAs for plan years ending in 2021 without a corresponding change in status event.	Applies to plan year ending in 2021.	Temporary for plan years ending in 2021.	Recommended for all employers.	Plans may see adverse selection. However plans with a high amount of unused funds may adopt to reduce employee forfeitures. Employees may not reduce their elections below the amount already reimbursed.

Email employerservices@naviabenefits.com with any questions.

Check out Navia's COVID-19 resource page and get your benefit questions answered