

What you need to know about the Flexible Spending Account Rollover

We previously announced that we amended our Medical Reimbursement Flexible Spending Account (FSA) to allow for a rollover of up to \$500. The IRS has issued guidance allowing for health care flex plans to adopt this provision. This plan enhancement has been made retroactively to take effect for the 2015 plan year.

The Medical Reimbursement FSA allows you to set aside pre-tax money to reimburse yourself for eligible medical, dental, prescription drug and vision expenses. Under the prior plan provisions and per IRS rules, any funds remaining in your Medical Reimbursement FSA unused for the plan year were forfeited. The rollover will reduce the likelihood that you will forfeit Medical Reimbursement FSA funds, however, the IRS still requires fund balances in excess of \$500 to be forfeited.

Because plan participants have until December 31, 2015 to file FSA claims incurred during the prior calendar year, the rollover occurs on January 1, 2016. In other words, on January 1, 2016, a Medical Reimbursement FSA balance of up to \$500 from the previous calendar year will be rolled over and added to the balance of the current year's Medical Reimbursement FSA.

❓ **If you currently have a Medical Reimbursement FSA, no action is needed to roll over up to \$500 of unused funds from your 2015 Benefit Year.** Please remember that you have until December 31, 2015 to request reimbursement from your Medical Reimbursement FSA for eligible health care claims incurred from October 1, 2014 to September 30, 2015. *If you depleted the balance of your 2015 account, no rollover will be necessary.*

- Any 2015 balance in excess of \$500 will be forfeited.
- If you have a 2015 fund balance not exceeding \$500, a 2015 (FSA) rollover will be automatically established for you. This will be your rollover account.
- Debit cards must be used for reimbursement in the same plan year in which the expense is incurred.

New Plan Year – FY 16

Effective October 1, 2015 the new Medical Reimbursement FSA maximum annual contribution increased to \$2,550, up from \$2,500 in 2014.

If you have questions about the Healthcare FSA or the new rollover provision, or to check your current Health Care (FSA) balance, call Preferred Administrators, at (915) 532-3778. You may also view your information online at <https://www.wealthcareadmin.com/Participants/login.aspx>. Your employee ID will be your SS# and your Employer ID will be as follows:

UMC Employer ID- EPF001

EPCH Employer ID-EPF002

Medical Reimbursement Debit Cards

- Current debit cards have been reloaded.
- New FSA Members will receive a new ID card.
- New cards with a future expiration date will receive a new ID card two weeks prior to expiration date.

Frequently Asked Questions
Medical Reimbursement Flexible Spending Account (FSA) Rollover

1. Why did Preferred Administrators decide to amend the Medical Reimbursement FSA plan mid-year to allow for a rollover provision?

The IRS first issued guidance regarding the opportunity for employers to allow for this rollover in late 2013. Over the course of this year, more clarity has been provided regarding administrative details of the rollover provision allowing us to feel comfortable amending our plan to allow this enhancement effective for the 2015 plan year.

2. What is a Health Care FSA Rollover?

It is a rollover provision that allows Medical Reimbursement FSA participants to take up to a maximum of \$500 of unused funds from their previous year's account and add them to the new year plan.

3. How is the rollover amount calculated?

The rollover amount is determined after all expenses have been reimbursed for the plan year. The amount rolled over for a plan year is equal to the amount remaining in the participant's health FSA after December 31st (up to \$500). Any unused amount in excess of \$500 is forfeited.

4. Can my rollover amounts accumulate from year to year?

The rollover amount is determined after all expenses have been reimbursed for that plan year (at the conclusion of the plan's run-out period). For example, Preferred Administrators has a run-out period that ends on December 31, 2015 for services rendered from October 1, 2014 through September 30, 2015. A maximum of \$500 can be rolled over from one plan year to the next. If a participant rolls over \$500 from 2014 into 2015 and then contributes another \$500 in 2015 that goes unused, he or she cannot then roll over \$1,000 into 2016. Only \$500 can be carried forward.

5. If I do not elect a Medical Reimbursement (FSA) for 2016; will the funds I didn't use in 2015 carry over into 2015.

Yes, up to \$500 will be carried over, even if you do not elect a Medical Reimbursement FSA for 2016. However, you will be limited to only the rollover amount for healthcare expenses in the next plan year. Although you may not be contributing during the rollover year, you remain an FSA participant until your rollover funds are exhausted or your employment is terminated.

6. Does the Rollover Provision apply to Dependent FSA accounts?

No. The rollover does not apply to the Dependent Care FSA.

7. If I have a rollover amount, does this amount reduce the \$2,550 maximum annual contribution I could make to the Medical Reimbursement FSA?

No. For example: If the full \$500 were to roll over into the following plan year and the employee elected to contribute the full \$2,550 in that year, they would have a total of \$3,050 available for reimbursement of eligible healthcare expenses that year.

8. How long do I have to use my rollover funds? According to the IRS ruling. "The rollover of up to \$500 may be used to pay or reimburse medical expenses under the Medical Reimbursement FSA incurred during the entire plan year to which it is carried over." The expense must be incurred by the last day of the plan year into which the funds were rolled over. However, if you terminate employment, then you are only eligible for reimbursement for claims with dates of service on or before your termination date.

Attached is the list of items you can purchase over the counter.