

# Pinnacle Health & Benefits Compliance Update

*How will the recent COVID-19 legislation impact HSA, HRA and FSA Plans?*

<p><b>American Rescue Plan</b></p>	<p><b><u>Optional</u> Dependent Care Flexible Spending Account Limit Increase</b></p> <ul style="list-style-type: none"> <li>The Dependent Care FSA limit has increased from a maximum of \$5,000 to \$10,500. Retroactive adoption is allowed back to January 1, 2021 through December 31, 2021. We are hopeful this increase will be permanent.</li> </ul> <p><b>COBRA Provisions* (does not impact FSA plans)</b></p> <ul style="list-style-type: none"> <li>COBRA premium subsidies will be available to eligible individuals effective April 1, 2021 through September 30, 2021.</li> <li>Plan enrollments may be updated, if allowed by the employer.</li> <li>DOL Model Notice requirements and obligations changed. The DOL released an FAQ and the Model Notice templates here: <a href="http://dol.gov">COBRA Premium Subsidy   U.S. Department of Labor (http://dol.gov)</a></li> </ul> <p>*Please contact your COBRA administrator for more specifics on how these provisions impact your applicable plans and the impact on the extension of COBRA deadlines due to the COVID-19 Outbreak Period.</p>
<p><b>Disaster Relief Notice for Employee Benefit Plans</b></p>	<p>Originally effective March 1, 2020, this notice was updated March 1, 2021.</p> <p>The following relief was granted until the shorter of one year after the qualifying event or 60 days after the COVID-19 National Emergency Outbreak Period has ended:</p> <ul style="list-style-type: none"> <li>Extended claims runout periods</li> <li>Extended timeframes for employees to submit documentation for HIPAA special enrollment periods and COBRA qualifying events</li> <li>Extended deadlines for COBRA election and premium payments</li> <li>Extended deadlines for distribution of plan materials, such as Summary Plan Descriptions and other participant notices (Electronic distribution is allowed.)</li> </ul>

*Nothing in this communication is intended as legal, tax, financial or medical advice. Always consult a professional when making life changing decisions. It is the member's responsibility to ensure eligibility, including the plan and expenses submitted.*

**IRS Notice 2021-15  
and Consolidated  
Appropriations Act,  
2021**

**Optional Pre-tax Benefit Plan Designs for Health FSA, Limited Purpose FSA, and Dependent Care FSA plans**

- Allow full carryover of unused funds for plan years ending in 2020 and 2021 into the subsequent plan year
- Allow extension of grace periods from the original maximum of 75 days to up to 12 months for plan years ending in 2020 and 2021
- Allow prospective mid-year election changes for any reason
- Allow terminated and active employees who drop coverage to file claims against prior contributions
- Increase Dependent Care FSA eligibility age from 13 to 14 if the dependent “aged out” during a plan year ending on or before 1/31/2020

**Optional relief to maintain HSA eligibility with extended Health FSA Rollovers, Grace Periods**

- Allow HSA eligible employees to decline an extended carryover or extended grace period provision if it means they would lose HSA eligibility
- Allow mid-year changes and applicable carryovers of unused Health FSA benefits to transition to a Limited Purpose FSA plan to maintain HSA eligibility

**COBRA Interaction**

- Allow terminated employees to choose between incurring claims against only the remaining balance of FSA contributions prior to termination or electing COBRA coverage on their full-year FSA election amount

*Example: An employee elects to contribute \$2,750 to their Health FSA but terminates after only contributing \$200. They have \$200 remaining. The employer must offer COBRA on the entire \$2,750, or the plan can allow the employee to continue to incur and file claims against the \$200 until the end of the plan year.*

<p><b>IRS Notice 2021-15 and Consolidated Appropriations Act, 2021 (continued)</b></p>	<p><b>Plan Amendment Requirements and Relief</b></p> <ul style="list-style-type: none"><li>• Allow retroactive adoption of relief to the beginning of the plan year</li><li>• Allow plan document adoptions and updates to be postponed until the last day of the first calendar year in which the amendment is effective</li></ul> <p><i>Example 1: A calendar year 2020 plan implements a rollover provision allowing 100% of unused FSA funds to carryover into 2021. The plan amendment must be signed by December 31, 2021.</i></p> <p><i>Example 2: A non-calendar year 2020 plan ending in 2021 implements a rollover provision allowing 100% of unused FSA funds to carry over into the subsequent plan year. The plan amendment must be signed by December 31, 2022.</i></p>
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Citations:

American Rescue Plan: [Text - H.R.1319 - 117th Congress \(2021-2022\): American Rescue Plan Act of 2021 | Congress.gov | Library of Congress](#)

Disaster Relief Update: [EBSA Disaster Relief Notice 2021- 01 \(dol.gov\)](#)

IRS Notice 2021-15: [N-2021-15 \(irs.gov\)](#)

Consolidated Appropriations Act, 2021: [Text - H.R.133 - 116th Congress \(2019-2020\): Consolidated Appropriations Act, 2021 | Congress.gov | Library of Congress](#)

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