

# abs tpa Today

December 2013



Happy  
Holidays  
from ABS!

All of us at Automated Benefit Services wish you and yours a happy holiday season and a healthy and prosperous new year!

Please note that our offices will close at noon on December 24 and will reopen on December 26; we will also close at noon on December 30 and will reopen January 2.

For additional details, contact your sales representative:

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## Health FSA Use-It-or-Lose-It Rule Modified

*Employers can allow carryover of unused amounts up to \$500*

Health flexible spending accounts (FSAs) are becoming more flexible. New federal guidance permits employers to allow workers to carry over unused amounts of up to \$500 for expenses in the next year and still contribute up to \$2,500 annually.

Employees eligible for health FSAs have historically been subject to the use-it-or-lose-it rule-- any account balances left at the end of the year were forfeited, usually to the employer. On Oct. 31, 2013, the U.S. Treasury Department and the IRS announced a change to this unpopular provision. Key points of the notice:

- ★ Effective in plan year 2014, employers offering health FSA programs will have the option of allowing participants to roll over up to \$500 of unused funds at the end of the plan year.
- ★ Effective immediately, employers offering health FSA programs that do not include a grace period\* will have the option of allowing workers to roll over up to \$500 of unused funds at the end of the 2013 plan year.

**\*Note:** Under current law, plan sponsors have the option of allowing employees a grace period of up to two and a half months after the year ends to use remaining funds for qualified FSA expenses. A health FSA cannot offer both a

carryover and a grace period; it may provide just one of the options or neither. Since it cannot coexist with the grace period in the same plan, plan sponsors will have to decide which feature is more beneficial to their participants.

As with the 2 ½ month grace period, this new carryover option is entirely optional on the part of a health FSA sponsor. A sponsor is free to specify a maximum carryover amount of less than \$500—so long as the cap applies equally to all employees.

An amendment to the Section 125 cafeteria plan document must be adopted by the last day of the plan year from which amounts may be carried over, and the plan must inform participants of the carryover provision.

Additional FSA changes became effective January 2013 when the Affordable Care Act capped FSA contributions at \$2,500 and excluded over-the-counter medications as reimbursable expenses without a doctor's prescription.

For assistance with any desired changes to your FSA administered by ABS, contact Client Services at (586) 693-4300.

For additional information visit [www.irs.gov/pub/irs-drop/n-13-71.pdf](http://www.irs.gov/pub/irs-drop/n-13-71.pdf)



## Legislation Aims to Protect Self-Funding

*Self-Insurance Protection Act Introduced in the House*

The Self Insurance Protection Act (H.R. 3462), introduced in the House in mid-November, aims to prevent significant changes to stop loss insurance— changes which could result in many self-funded entities being forced into fully insured coverage if they can no longer utilize stop loss coverage as a means of insulating themselves against catastrophic claims in a self-funded arrangement.

The legislation is designed to preserve current laws governing stop loss insurance, and to prevent the re-definition of stop loss insurance as traditional health insurance under the law. Representatives behind the legislation say the measure is necessary in preserving choice for employers, unions and public sector entities when it comes to offering health benefits to workers.

Sixty one percent of the commercial health insurance market— or an estimated 100 million Americans— is self-insured, a figure that has been growing steadily over three decades.

To read the text of the Self Insurance Protection Act, go to

[www.govtrack.us/congress/bills/113/hr3462/text](http://www.govtrack.us/congress/bills/113/hr3462/text)



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