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DC Department of Human Resources
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Your Health Care Flexible Spending Account (FSA) Now Has A \$500 Carry-Over Option

We are excited to share some important news with you about your Health Care Flexible Spending Account (FSA):

The U.S. Department of the Treasury recently modified the “Use It or Lose It” rule, which allows participants to carry over unused FSA funds from one year to the next, and you’ll now be able to carry over up to \$500 of your 2014 FSA balance into 2015 and beyond.

If you’re a new health-care FSA member for 2014, you won’t need to worry about losing your unused funds if you can’t use them by the end of the year, you can carry over up to \$500 from one year to the next. If you’re a previously enrolled health-care FSA members, you can carry over up to \$500 of your unused balance at the end of the year into 2015.

Here are some answers to frequently asked questions about the new carry-over option:

When does this change go into effect for me?

If you’re enrolled in our Health Care FSA for 2014, this change will apply to unused funds in your account on December 31, 2014. As long as you continue to be an active employee as of the first day of the plan year, January 1, you’ll be able to carry over up to \$500 in unused funds into 2015.

If you enrolled in our Health Care FSA for 2014, then up to \$500 of your unused funds as of December 31, 2014 will automatically carry over to 2015 if you are still in the plan as of the last day of the 2014 plan year.

What does this mean for my 2014 Health Care FSA?

If you enrolled in the Health Care FSA for 2014, you don’t have to rush to use up your FSA funds by the end of the 2014 plan year. You can carry over up to \$500 of your unused end-of-the-year balance into 2015. You can use these funds to pay for eligible health care expenses from one year to the next.

If you didn’t enroll in the Health Care FSA for 2014 because you were afraid of losing money, you may want to think about enrolling for 2015. You can elect up to \$2,500 and won’t have to worry about losing all of your unused funds at the end of the year. You’ll be able to carry over up to \$500 into the next plan year.

Can my Health Care FSA funds continue to carry over from year to year?

A maximum of \$500 of unused funds in your FSA can be carried over from year to year if you are still in the plan as of the last day of the plan year. However, you cannot carry over the same \$500 of unused funds from 2014 into the 2016 plan year. You have one year to use the unused Health Care FSA funds from the previous year.

What if I have more than \$500 in unused funds at the end of the year?

If you have more than \$500 in unused funds in your Health Care FSA at the end of 2014, you have until the end of your plan's run-out period to submit claims for eligible expenses incurred during 2014. These claims would reduce the amount of your unused funds and still let you carry over up to \$500 into 2015.

For example, if you have \$750 in unused funds on December 31, 2014 and you submit \$250 in claims by the end of your run-out period, you'll carry over the remaining \$500 into 2015. If you don't have any claims to submit, you will lose \$250 and carry over the remaining \$500 into 2015.

Does the amount that I carry over count toward the \$2500 Health Care FSA contribution limit?

The amount that you carry over to the next year does not count toward the \$2500 Health Care FSA contribution limit.

Does this apply to my Dependent Care FSA?

No, the carry-over provision doesn't apply to a Dependent Care FSA.

What should I do next?

For 2014, you should review your current balance and your planned expenses for the remainder of the year. Then, take into consideration that up to \$500 of your unused 2014 balance can be carried over into 2015. If you didn't have a Health Care FSA before, think about enrolling in the future to take advantage of valuable tax savings and the new carry-over feature.

If I was terminated in 2014, will I still have access to file a claim?

Yes, you will have until March 31, 2015 to file your claim. These claims must be prior to or on the date of termination.

When will my 2014 funds be available from the carry over?

Your funds should be available by the end of March 1, 2015.

How will this change impact me?

We expect very little impact. Most employees will have new 2014 funds that will be available to reimburse their eligible 2014 claims. For employees who want to use their FSA carry-over funds for 2014 expenses over their election amount, we recommend that you wait to submit additional 2014 claims until the carry-over funds are available in your 2015 account.

If a 2014 claim is rejected due to the timing of the funds carry over, PayFlex will automatically reprocess your claim when the carry-over funds are moved to your new account. This way you won't have to resubmit the claim.