THE STATE OF FLORIDA
JUSTICE ADMINISTRATIVE COMMISSION

Post Office Box 1654 (32302)
227 North Bronough Street, Suite 2100
Tallahassee, Florida 32301

Alton L. "Rip" Colvin, Jr.
Executive Director

(850) 488-2415
Toll Free (866) 355-7902
FAX (850) 488-8944

www.justiceadmin.org

MEMORANDUM #035-13HR

TO: Agency Administrators

FROM: Carolyn Horwich, J.D., Director of Human Resources

THROUGH: Rip Colvin, Executive Director

SUBJECT: Rollover of Medical Reimbursement Account Funds

DATE: November 13, 2013

****
On October 31, 2013, the U.S. Treasury issued a change in policy with regard to the rollover of funds in Medical Reimbursement Accounts. Subsequently, the Department of Management Services issued a Management Advisory November 8, 2013, on the subject.

Attached please find the U.S. Treasury's statement and the Management Advisory from DMS.

Thank you.

If you have any questions, please do not hesitate to contact me at 850-488-2415 or Carolyn.Horwich@justiceadmin.org.

Attachments (2)

Treasury Modifies "Use-or-Lose" Rule for Health Flexible Spending Arrangements

10/31/2013

Permitted Carryover of Up to $500 Provides Greater Flexibility to Plan Participants

WASHINGTON – The U.S. Department of the Treasury and the IRS today issued a notice modifying the longstanding “use-or-lose” rule for health flexible spending arrangements (FSAs). To make health FSAs more consumer-friendly and provide added flexibility, the updated guidance permits employers to allow plan participants to carry over up to $500 of their unused health FSA balances remaining at the end of a plan year.

“Across the administration, we are always looking for ways to provide added flexibility and commonsense solutions to how people pay for their healthcare,” said Secretary Jacob J. Lew. “Today’s announcement is a step forward for hardworking Americans who wisely plan for health care expenses for the coming year.”

Today’s action directly responds to public comments invited by the Treasury Department and the IRS. An overwhelming majority of feedback from individuals, employers, and others requested that the use-or-lose rule for health FSAs be modified. Comments pointed to the difficulty for employees of predicting future needs for medical expenditures, the need to make FSAs accessible to employees of all income levels, and the desire to minimize incentives for unnecessary spending at the end of the year.

For nearly 30 years, employees eligible for health FSAs have been subject to the use-or-lose rule, meaning that any account balances remaining unused at the end of the year are forfeited. An estimated 14 million families participate in health FSAs. Under current law, plan sponsors have the option of allowing employees a grace period permitting them to use amounts remaining unused at the end of a year to pay qualified FSA expenses incurred for up to two and a half months following year-end.

Today’s guidance permits employers to now allow employees to carry over up to $500 of the unused amounts left in their health FSAs for expenses in the next year. Some plan sponsors may be eligible to take advantage of the option to adopt a carryover provision as early as plan year 2013. In addition, the existing option for plan sponsors to allow employees a grace period after the end of the plan year remains in place. However, a health FSA cannot have both a carryover and a grace period: it can have one or the other or neither.

FLORIDA DEPARTMENT OF MANAGEMENT SERVICES
state group insurance
We serve those who serve Florida

4050 Esplanade Way, Suite 215
Tallahassee, Florida 32399-0950
Tel: 850.921.4600 | Fax: 850. 488.0252

Rick Scott, Governor

Craig J. Nichols, Agency Secretary

MANAGEMENT ADVISORY #13-009

DATE: November 8, 2013

TO: Human Resource Offices

FROM: Suzetta Furlong, Chief

SUBJECT: Rollover of Medical Reimbursement Account Funds

On Oct. 31, 2013, the U.S. Treasury announced changes to the "Use It or Lose It" rule.

Employers offering Medical Reimbursement Accounts (MRA) or Limited Purpose MRAs (LPMRA) can allow participants to roll over up to $500 of unused funds at the end of a plan year. Employers, such as the state, that offer a grace period must eliminate the grace period to offer the rollover provision.

Employees currently participating in an MRA or LPMRA made elections for 2013 considering the grace period, which has no rollover limit.

Consequently, the rollover provision will *not* be implemented for the 2014 plan year. Employees will have until March 15, 2014 to spend any money remaining in their 2013 account and must file claims and any required documentation by April 15, 2014.