

Subject: COVID-19 Mid-Year Benefit Changes

To: Benefits Eligible Employee

From: Employee Benefits Division (EBD), Department of Budget and Management

On May 12, the IRS issued two notices, Notice 2020-29 and Notice 2020-33 that affect Benefit elections and Flexible Spending Accounts due to the impact of COVID-19. Under this guidance, the State of Maryland may adopt some, all, or none of these election changes. After careful consideration, the State Employee and Retiree Health and Welfare Benefits Program is pleased to extend the following mid-year election changes, which fall into two categories:

- 1. Allow employees to make prospective mid-year election changes related to health coverage, prescription, health FSAs, and dependent care FSAs; and*
- 2. Allow employees to apply amounts in a health FSA or dependent care FSA from 2019 that are unused as of the end of a grace period (March 15, 2020) to pay for or reimburse qualified medical care or dependent care expenses incurred through December 31, 2020.*

Changes allowed under these new rules for State Program Participants

Employees may make the following Medical and Prescription Drug changes

ONLY:

- make a new election for medical and prescription drug coverage on a prospective basis, if the employee did not enroll in the 2020 plan year previously;
- make a new election changing enrollment from self-only coverage to family coverage on a prospective basis;
- may drop an existing plan election for medical and prescription drug coverage on a prospective basis, provided that the employee signs and attaches the attestation that the employee is enrolled, or immediately will enroll, in other health coverage not sponsored by the State as the employer.

Note: **Changes** will be effective on the 1st of the month on or after the election event date and remain in effect through December 31, 2020.

Changes cannot be made: from one health plan to another, to dental plans, or to life insurance or AD&D coverage.

Employees may make the following Health & Dependent Care FSA changes:

- stop the FSA election(s) so that no further salary contributions will be required;
- make a new FSA election if none was made during the open enrollment period;
- reduce the FSA election amount.

Note: Changes will be effective on the 1st of the month following the election approval by EBD and remain in effect through December 31, 2020.

The IRS changes do not include FSA account balance refunds for participants who have been unable to access the services of medical services providers and dependent care providers due to the coronavirus. However, FSA elections may be stopped so that no additional salary contributions are required to maintain the FSA account.

Extension of the Deadline for Incurring Eligible Expenses

Under normal IRS rules, FSA account balances at the end of a plan year and any applicable grace period must be forfeited. The new relief makes it possible for a plan to limit the potential for 2020 FSA forfeitures by allowing unspent FSA balances to be used to reimburse eligible expenses through December 31, 2020.

Here's an example:

A plan with a plan year ending 12/31 also has a 2 1/2-month grace period. So, the last day for incurring eligible expenses for the plan year that began 1/1/2019 normally would be 3/15/2020. With the relief, the last day to incur an eligible expense for the 1/1/2019 plan year would be 12/31/2020.

Additional Notes:

1. Changes may be processed between **today and July 31, 2020** and remain in effect through December 31, 2020. Use Benefit Event Type: Employee: Mid-Year Election Change (COVID)

- Employees **may not change** the medical carrier or plan; any change will be reversed by EBD
- Employees requesting mid-year changes on August 1, 2020 or later will be subject to the standard Life Events in SPS.

2. All Medical and Prescription Drug Mid-year elections are effective on the on the 1st of the month on or after the event date.

3. All FSA Mid-year elections are effective on the 1st of the month following the event approval date in SPS. The IRS Notice prohibits an employee from seeking a refund of contributions that have already been made to a health or dependent care FSA.

4. For the addition of dependents, the State's dependent documentation requirements remain in force. For a list of acceptable documents, see Pages 39-40 in the State of Maryland Benefits Guide, or in the Job Aid for Required Supporting Dependent Documentation attached.

- If you are not able to produce the required document(s) immediately due to COVID-19 reduction in services, the deadline is extended until 30-days following the end of Maryland's State of Emergency.

- If documentation is not received, Dependents will be dis-enrolled retroactively to the original effective date.

5. All transactions require either the Mid-Year Election or Waiver Attestation Notice. The attestation should be uploaded as documentation to support the change in SPS. See the attached attestation notices.

6. FSA changes will be matched to claim data to date and will be limited to amounts no less than the amount already reimbursed prior to approval.

Please contact your Agency Benefit Coordinator with any questions.