Compliance Alert

January 14, 2021

New Options for Medical Care Reimbursement and Dependent Care Reimbursement Accounts

Overview

On December 30, 2020, the federal Consolidated Appropriations Act 2021 ("the Act") was signed into law. The Act is extensive and will impact employer sponsored benefit plans in several ways.

This *Compliance Alert* addresses the relief related to the COVID-19 public health emergency for the Medical Care Reimbursement Accounts (MCRAs) and Dependent Care Reimbursement Accounts (DCRAs) that HPI administers on your behalf.

In light of the ongoing changing circumstances related to the need for dependent care and access to elective health care during the pandemic, the Act provides relief to:

- Help prevent employees from forfeiting money they have contributed to their accounts, and
- Allow employees to make new elections going forward

To those ends, the Act permits:

- Carryover of any unused account balances remaining in MCRAs and DCRAs at the end of the 2020 and 2021 Plan Years to the subsequent plan years
- Extension of existing grace periods under MCRAs and DCRAs to 12 months following the end of the 2020 and 2021 Plan Years
- Mid-year election changes for MCRAs and DCRAs without regard to a change in status for Plan Years ending in 2021[1]
- Access to remaining account balances for employees and former employees who terminated participation in the MCRA in 2020 or 2021
- Extension of the dependent age cutoff from age 13 to age 14 to provide reimbursement of otherwise eligible dependent care expenses from unused DCRA account balances remaining from the last Plan Year with a regular enrollment period that ended on or before January 31, 2020

Important

The Act ***does not permit*** a refund of contributions already made to any MCRA or DCRA accounts.

It ***does permit*** access to unused account balances as detailed herein, as well as prospective changes to contribution amounts for the Plan Year ending in 2021.

Implementation

The Act provides that Plans may be amended retroactively for the Plan Years ending in 2020 and 2021 by the last day of the Plan Year that ends in 2021 and 2022, respectively.

HPI recommends prompt action now, however, so that Plan participants are on notice that they may have more flexibility with respect to their MCRAs and DCRAs both retroactively and going forward.

HPI's proposed actions are outlined below, along with the steps that employers may want to take.

HPI's Actions

While the provisions under the Act are not mandatory, HPI will draft amendments for MCRAs and DCRAs as shown below so that employers can provide their employees with the full relief allowed, unless employers contact the HPI Account Service Team **by February 15, 2021** to advise they do not want to amend their plans or want different amendment provisions.

HPI expects to begin providing the amendments in mid-February for signature and return.

[1] MCRA contributions going forward may not be reduced below any amounts already reimbursed during the Plan Year ending in 2021.

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Current Plan	Amendment for Plan

MCRA	• Permit election changes without regard to changes in status for Plan Years ending in 2021
	• Permit access to unused account balances to those who terminate(d) participation during the 2020 or 2021 Plan Years for the balance of that Plan Year and until the end of any applicable grace period for that Plan Year
	• If Plan has carryover provision*:
	  ◦ Increase carryover allowed from Plan Years ending in 2020 and 2021 to unused balance
	• If Plan has grace period provision*:
	  ◦ Extend grace period to 12 months following end of 2020 and 2021 Plan Years

DCRA	• Permit election changes without regard to changes in status for Plan Years ending in 2021 • Define eligible dependent to include children under age 14 for the last Plan Year whose regular enrollment period ended on or before January 31, 2020 • If Plan has grace period provision*: ◦ Extend grace period to 12 months following end of 2020 and 2021 Plan Years

*If your plan has neither carryover nor grace period provisions, your HPI Account Manager will contact you to discuss how you may want to move forward.

Employer Actions

- Review the HPI proposed amendments above.
- Contact the HPI Account Service Team by February 15, 2021 if you have any questions or are considering different amendment provisions.
- Notify employees about their new options so that they can take the appropriate steps to manage their contributions going forward and to access unused balances.

Procedural Notes

Submitting MCRA and DCRA claims

The MCRA and DCRA debit cards cannot process claims permitted under this temporary relief. Participants can log in through their My Plan account to access claim forms for reimbursements during the extended grace period or in excess of the current standard carryover amount. The claims can then be submitted electronically or by mail.

Impact on participants in qualified high deductible health plans (QHDHPs)

Participants in general purpose MCRAs who are participants in QHDHPs will not be able to make or receive contributions to health savings accounts (HSAs) during any Plan Year for which the MCRA temporary relief grace period or carryover was permitted. However, participants in QHDHPs and limited purpose MCRAs may make or receive contributions to their HSAs during the periods of temporary relief.

HPI will continue to update you as new or evolving guidance is issued.

The information in this Compliance Alert *is intended to provide a summary of our understanding of recent regulatory developments which may affect our clients' plans. It should not be construed as specific legal advice or legal opinion.*