New IRS Guidance

for State Employees which can affect your Optional Pre-Tax Contributions

Reminder: Your Benefit Choice Open Enrollment ends June 1, 2020

State Employees, you have NEW IRS Guidance for MCAP/DCAP to be considered when completing your Benefit Choice Open Enrollment

The Internal Revenue Service (IRS) recently published guidance which allows the State to provide additional flexibility to employees with respect to certain mid-year elections during calendar year 2020, and the ability to use amounts remaining in the employees’ FY20 Medical Care Assistance Plan (MCAP) and Dependent Care Assistance Plan (DCAP) accounts at the end of the plan year.

In accordance with the IRS guidance, CMS will be implementing the following provisions, which may impact members’ FY20 and FY21 enrollments in MCAP and/or DCAP:

- **MCAP and DCAP participants will be allowed an extended period through December 31, 2020, to incur expenses which may be reimbursed from FY20 accounts.**
  
  Due to the COVID-19 outbreak, planned elective medical procedures have been postponed or canceled, resulting in an inability to use FY20 MCAP funds. Similarly, the closure of daycare or after-school programs, or the lack of a need for child care while the employee is working from home or in an on-call status, may result in unused FY20 DCAP funds. To address this situation and reduce the risk of financial harm to the members, CMS will allow employees to apply unused amounts in their MCAP and/or DCAP accounts at the end of FY20 to pay for eligible expenses incurred through December 31, 2020.

- **Mid-year enrollment and increases to MCAP will be allowed without an associated Qualifying Event through 12/31/20.**
  
  Employees will be permitted through December 31, 2020, to prospectively enroll in MCAP or increase their election amount without an associated qualifying event. Effective January 1, 2021, any request to enroll or increase an MCAP election will again require a qualifying event.

- **Mid-year enrollment increases, decreases or termination of DCAP will be allowed without an associated Qualifying Event through 12/31/20.**
  
  Employees will be permitted through December 31, 2020, to prospectively enroll in DCAP, increase or decrease their election amount, or terminate their DCAP enrollment without an associated qualifying event. Effective January 1, 2021, all DCAP election changes will again require a qualifying event.

- **Effective FY21, the amount of unused MCAP funds at the end of a plan year which may be carried-over to the subsequent plan year, will be increased to $550.**
  
  For clarity purposes, this provision will apply effective with FY21 funds that could potentially be carried-over for use in FY22. The carryover maximum for unused FY20 funds remains $500. Members are only eligible for carryover amounts if they re-enroll in MCAP for the following plan year.

Please Note: Members with unused funds who are allowed a grace period will not be eligible to contribute to an HSA or receive the employer contribution during the grace period. CMS will contact any employee enrolled in the high-deductible health plan and elected an HSA who also has an unused FY20 MCAP balance to resolve this matter with the member.

If you have already completed your Benefit Choice Open Enrollment selections, you have until June 1, 2020 to make any changes.