

**OFFICE OF THE STATE  
COMPTROLLER**

**HEALTHCARE COST  
CONTAINMENT COMMITTEE**



**HEALTHCARE POLICY & BENEFIT  
SERVICES DIVISION  
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**DIVISION MEMORANDUM 2021-01  
TO THE HEADS OF ALL STATE AGENCIES**

**February 10, 2021**

**ATTENTION: Personnel and Payroll Officers, Chief Administrative and Fiscal  
Officers, and Benefits Managers**

**SUBJECT: Flexible Spending Account Programs Changes for Plan Year 2020**

**I. INTRODUCTION**

This memorandum announces the temporary revision of policies affecting the Dependent Care Account Plan (DCAP) and the Medical Flexible Spending Account Plan (MEDFLEX) as authorized by the Consolidated Appropriations Act of 2021.

During 2020, the COVID-19 pandemic prevented many employees from spending funds set aside in these plans because dependent care facilities were closed, and in-person medical or dental appointments were discontinued. As a result, many employees ended 2020 with unused funds that would otherwise be forfeited without this relief. As such, the measures described below have been established for the 2021 flexible spending account programs.

**II. TEMPORARY PROVISIONS AFFECTING DCAP**

**A. Grace Period to use Plan Year 2020 Funds for 2021 Expenses**

Ordinarily, the DCAP provides that funds set aside for a given calendar year's childcare expenses can only be used for services incurred during that year and unspent funds would be forfeited after the March 31<sup>st</sup> deadline for submitting claims. As permitted by the new law, the Comptroller will amend the plan to create a 12-month grace period that will allow DCAP participants to use any remaining Plan Year 2020 funds for childcare expenses incurred during 2021. Although the 2020 funds will be drawn down first, members should take care to submit dependent care claims for reimbursement from the 2020 balance no later than December 31, 2021.

## **B. Mid-Year Election Changes Permitted**

The DCAP is governed by the Internal Revenue Code (IRC) and U.S. Department of the Treasury regulations, which limit circumstances under which an employee may change his or her election once it has been made for a given plan year unless the member experiences a qualifying status change. These restrictions will be relaxed for the 2021 Plan Year.

**1. Mid-Year Increases or Decreases.** Employees who elected to participate in the DCAP for Plan Year 2021 can on--a prospective basis only--revoke an election, make a new election, decrease, or increase an existing election. This will allow those with leftover funds from 2020 to tailor their 2021 contributions to current expenses.

**2. Mid-Year Enrollment Permitted.** Employees that did not sign up to participate in the DCAP for 2021 will now have the opportunity to enroll in the plan for the remainder of the current Plan Year without demonstrating a qualifying status change.

## **III. TEMPORARY PROVISIONS AFFECTING MEDFLEX**

### **A. Increase in Carry-Over Amount.**

Under current Plan rules, MEDFLEX funds in excess of \$550 would be forfeited if a plan member employee failed to submit claims for reimbursement by March 31<sup>st</sup>. The new legislation allows the Plan to authorize carryover of all unused funds from Plan Year 2020 to Plan Year 2021. The Comptroller has authorized this change, which will give employees an opportunity to use MEDFLEX funds set aside for medical/dental services in 2020. An employee who enrolled in the MEDFLEX for Plan Year 2021 will have all unspent 2020 Plan Year funds carried over to his/her balance

For employees who did not enroll in MEDFLEX for Plan Year 2021, we will continue the practice of forfeiting any unclaimed balance of less than \$25.00 as of March 31, 2021 to avoid the administrative expense of carrying MEDFLEX accounts with small balances.

### **B. Mid-Year Election Changes Permitted**

**1. Mid-Year Enrollment Permitted.** Employees that did not sign up to participate in MEDFLEX for Plan Year 2021 will now have the opportunity to enroll for the remainder of the current Plan Year without demonstrating a qualifying status change.

**2. Mid-Year Increases or Decreases.** Employees who elected to participate in the MEDFLEX for Plan Year 2021 can on--a prospective basis only--revoke an election, make a new election, decrease or increase an existing election. A Participant with an Overspent account will not be permitted to reduce or suspend an election if the total salary reductions for the remainder of the Plan Year would equal less than benefits received by the Participant for the Plan Year.

#### **IV. PROCESSING MID-YEAR ELECTION CHANGES**

All mid-year election/enrollment changes must be submitted to Progressive Benefits Solutions (PBS). Forms for 2021 mid-year elections for the MEDFLEX, CO-1306a, and DCAP, Form CO-1310a, are posted online at <http://www.ctpbs.com>. The forms may be returned as follows: Email: [enrollment@pbscard.com](mailto:enrollment@pbscard.com); Fax: 203-974-4898; or U.S. Mail: Progressive Benefit Solutions, 14 Business Park Drive #8, Branford, CT 06405

#### **V. CONCLUSION**

Please make sure that your agency's employees get this information so that they can take advantage of the flexibility provided by recent legislation. Questions concerning the DCAP and MEDFLEX may be directed to PBS at 1-866-906-8023. Questions pertaining to this memorandum may be directed to the Healthcare Policy & Benefit Services Division, Employee Benefits Unit at [Osc.ebu@ct.gov](mailto:Osc.ebu@ct.gov).

Very truly yours,

A handwritten signature in cursive script that reads "Thomas C. Woodruff". The signature is written in black ink and includes a horizontal line extending to the right from the end of the name.

Thomas C. Woodruff, Ph.D., Director