GROUP INSURANCE COMMISSION

PARTICIPANT HANDBOOK

2018/2019 Fiscal Year Plan

FLEXIBLE SPENDING ACCOUNT PROGRAMS

Health Care
Spending Account (HCSA)
and
Dependent Care
Assistance Program (DCAP)

Fiscal Year Plan:	July 1, 2018 to June 30, 2019
Open Enrollment:	April 4 – May 2, 2018
2½ Month Grace Period:	July 1 – September 15, 2019
Claim Filing Deadline:	October 15, 2019

www.asiflex.com/gic | **www.mass.gov/gic/fsa**

ASI FLEX

Commonwealth of Massachusetts
Group Insurance Commission

OVERVIEW OF THE GROUP INSURANCE COMMISSION FLEXIBLE SPENDING ACCOUNT (FSA) PROGRAMS

Health Care Spending Account (HCSA) and Dependent Care Assistance Program (DCAP)

- **Open Enrollment:** April 4 – May 2, 2018 for July 1, 2018 benefits (see ASIFlex website of details, **www.asiflex.com/gic**).
- **2018/2019 Fiscal Year Plan:** July 1, 2018 – June 30, 2019
- Use or Lose – Estimate your elections carefully. The IRS requires that any funds left in an FSA at year end be forfeited.
- Claims for services must be incurred during the plan year.
- IRS 2 ½ month grace period: June 30, 2019 – September 15, 2019
- Final deadline to submit plan year and grace period claims: October 15, 2019.
- Payroll errors refunds may only be made within 60 days of the mistaken deduction. After 60 days, it is up to the employer (agency) to repay the employee – no refunds will be made from the FSA account.
- Administrative pre-tax fee: $2.50 per month, per participant for HCSA, DCAP or both HCSA/DCAP.
- These plans require that participants re-enroll each year.
- For new enrollees, there is a free set of Health Care FSA debit cards for HCSA only.
- Be sure to save all itemized receipts and/or insurance explanations of benefits (EOB) statements when using your Health Care FSA debit card; you may be required to substantiate a claim. Failure to provide substantiation may result in de-activation of the debit card, per IRS regulations.
- Eligibility details are provided in the handbook.
- The HCSA maximum contribution limit is $2,650 and the minimum is $250 for the 2019 Fiscal year plan.
- The DCAP maximum contribution is $5,000 for the 2018/2019 Fiscal year plan, or $192.30 max per bi-weekly pay period for mid-year enrollees. (IRS tax year maximum per household contribution is $5,000.)

**This is a brief summary of the GIC FSA programs.
The Participant Handbook provides important details about the plans, eligibility, claims, and appeals and should be carefully reviewed.**

Overview of Pre-Tax Reimbursement Accounts

The Commonwealth of Massachusetts' Group Insurance Commission (GIC) sponsors a pre-tax benefit program that includes two tax-saving reimbursement accounts. ASIFlex is the company that the GIC has selected to administer, adjudicate, and process all reimbursement claims on behalf of the GIC. The Health Care Spending Account (HCSA), authorized by Internal Revenue Service (IRS) Code Section 125 and the Dependent Care Assistance Program (DCAP), authorized by Section 129 of the IRS code, allows you to set aside pre-tax money from your paycheck to pay for certain health care and dependent care expenses. You then submit your claims for eligible expenses and are reimbursed with tax-free dollars from your account(s) – *which can reduce your out-of-pocket health care and dependent care expenses by nearly 30%!*

For most participants, the HCSA/DCAP program provides a better tax benefit than is available to an individual taxpayer who itemizes medical expenses. The tax benefits of these pre-tax plans can be derived only from the participation in an employer-sponsored program.

- A **Health Care Spending Account** pays for eligible medical, dental and vision care expenses incurred by you and your dependents that are not covered by your health care plan or dental care plan.
- A **Dependent Care Assistance Program** pays for eligible dependent care expenses you incur in order to enable you (or you and your spouse) to work. Participating in a HCSA and/or DCAP program can significantly reduce your federal and state income taxes. Through these plans, you pay, on a pre-tax basis, for eligible health care and dependent care expenses.

Basics of Pre-Tax Reimbursement Accounts

✓ Open enrollment takes place prior to the start of each Plan Year. During this time you may enroll and decide how much to deposit (see "Annual Contribution Amount" section) into each account.

Important: You cannot change your contribution amount until the next enrollment period unless you have a "qualifying change in status" (see "Making Changes to Your Election").

YOU MUST RE-ENROLL EACH YEAR!

✓ Your contributions to HCSA/DCAP will automatically be deducted in equal amounts each pay period from your paycheck on a pre-tax basis and sent to ASIFlex.

✓ When you have incurred an eligible HCSA expense, you can either use your Health Care FSA Debit Card or submit a claim form for reimbursement to ASIFlex via the ASIFlex Mobile App, online, by fax, or by mail.

✓ When you have incurred an eligible DCAP expense you can either file a claim via the ASIFlex Mobile App, online through the Account Detail or send a DCAP claim form to ASIFlex by fax or mail.

✓ Claims are processed daily and reimbursements are deposited directly to your bank account or mailed via a check. All reimbursement benefit payments come with an Explanation of Benefits to make reconciling your records simple and easy, and all information is kept strictly confidential.

Every dollar contributed to the HCSA or DCAP program is made on a pre-tax basis. The Commonwealth of Massachusetts deducts the amount that you selected directly from your "gross" wages. This means that plan contributions are deducted *before* federal and state taxes.

Claim reimbursements are issued by check and mailed to the address on file. A minimum of $25.00 has to be accumulated in reimbursements before a check will be issued under the account, unless the plan year has ended. At the end of the plan year, any pending reimbursements below $25.00 will automatically pay out. Participants can select to have their reimbursements direct deposited into their bank accounts. Direct deposits do not have a minimum to be met for reimbursement. Banking information can be updated during Open Enrollment or online through the Account Detail, at **www.asiflex.com/gic** .

Tax Benefits of HCSA or DCAP Programs

By enrolling in an FSA, your taxable income is less, meaning less money will be withheld from your paycheck for federal/state income taxes. The following is an **example** of how a state employee could save money by participating in the pre-tax reimbursement program:

Say an employee makes $30,000 each year, is in the 30% tax bracket and spends $6,000 in expenses – including $2,000 in health care expenses and $4,000 in dependent care expenses. If this employee did not participate in any pre-tax plan his/her take-home pay, after-taxes and after paying for health care and dependent care expenses, is $15,000 a year.

However, if that same employee participated in both the HCSA and DCAP pre-tax programs, the money spent on the very same health care and dependent care expenses ($2,000/$4,000) would be paid from their HCSA or DCAP account, funded by their biweekly payroll deductions, **prior to federal or state withholdings**. Utilizing this method would provide additional "take- home" income of approximately $1,800 a year or $150 per month – *reducing the participant's health care and dependent care expenses by nearly 30%*. The following table illustrates the example:

Breakdown of Paycheck and Deductions	Not Participating in HCSA or DCAP Plan	Participating in HCSA or DCAP Plan
Gross Yearly Pay	$30,000	$30,000
Heath Care Reimbursement Account Election Annual Contribution (Pretax)	$0	($2,000)
Dependent Care Assistance Program Annual Contribution (Pretax)	$0	($4,000)
Taxable Income	**$30,000**	**$24,000**
30% Federal and State Withholdings	($9,000)	($7,200)
Yearly Health Care Expenses	($2,000 post-tax)	$2,000 (Claims reimbursed)
Yearly Day Care Expenses	($4,000 post-tax)	$4,000 (Claims reimbursed)
Net Available Income	**$15,000**	**$16,800**

Contributions to the HCSA/DCAP plan are not subject to tax at any time. Your year-end W-2 form from the Commonwealth of Massachusetts will properly notify all of the government agencies of your participation in the program.

Employees could potentially save up to $150 a month or $1,800 a year by participating in pre-tax plans.

Estimate your contributions to each plan carefully.

The Internal Revenue Service requires that any money left in either account at the end of the plan year be forfeited (use it or lose it rule). The Fiscal Year Plan runs from July 1, 2018 to June 30, 2019 with an IRS 2½ month grace period to September 15, 2019. (See 2 ½ month grace period section for more details.)

Eligibility in a Pre-Tax Plan

HCSA – Active state employees and their dependents, eligible for health benefits with the GIC, are eligible to participate in the HCSA program. Enrollment in one of the GIC's benefit plans is not required. New employee coverage begins on the first day of the month following 60 calendar days from the first date of employment or two calendar months, whichever comes first. Employees must work at least 18.75 hours in a 37.5 hour workweek or 20 hours per 40 hour workweek. You may claim health care expenses under the HCSA plan for you, your spouse, and/or your eligible tax dependents for claims incurred after your effective date.

DCAP – Active state employees and their dependents, eligible for health benefits with the GIC and have employment-related expenses for a dependent child **under the age of 13** and/or a disabled adult dependent are eligible for the DCAP program. Employees hired during the Plan Year are eligible for DCAP on the first day of employment.

Enrollment in a Pre-Tax Plan

If you are a new employee with the Commonwealth of Massachusetts, you may elect to participate in HCSA or DCAP. See your Benefits Coordinator for a HCSA/DCAP Enrollment Form.

HCSA – If you enroll in the HCSA program you will automatically receive a free set of two FSA debit cards, both printed with the participant name on them. You can request additional sets of two cards for the cost of $5.00 per set. **GIC Health Care FSA Debit Cards are not available for DCAP reimbursements.**

TIP: For tips on how to use the HCSA debit card, go to asiflex.com/gic and click on the Services/Debit Card tab. Additional information can also be found in the Useful Links tab. Use of debit cards is regulated by the IRS and back-up paperwork is required in some cases to substantiate transactions.

If you choose not to enroll as a new employee, you will be eligible to enroll in the HCSA or DCAP plans for the upcoming Plan Year during **open enrollment**, unless you have a "change in status" (see "Making Changes to Your Election"). Enrollment for the HCSA or DCAP takes place before the beginning of each plan year. To join the plan during open enrollment you must complete the HCSA/DCAP Enrollment Form. This form is available on ASIFlex's website at www.asiflex.com, or through your Payroll Coordinator. If you have been enrolled through the plan before with ASIFlex then you can enroll online during open enrollment. **You must re-enroll each year to continue benefits between plan years**.

Employees hired during the Plan Year are eligible for DCAP on the first day of employment. Employees hired during the Plan Year are eligible for HCSA after the GIC waiting period is satisfied. Enrollment forms must be submitted to your Payroll Coordinator within 10 calendar days from your date of hire.

During Open Enrollment Re-enroll ONLINE

If you are a current HCSA or DCAP participant with the Commonwealth of Massachusetts, you need to re-enroll online. If you have registered for online access (your Account Detail) go to www.asiflex.com/gic and click on the "Account Detail" tab and log into your account. Once you are on the Self Service Main Menu, simply click on the green "Open Enrollment" button under the "Participant Services" section of the webpage. In July 2018, be sure to check your pay advice to make sure you are receiving deduction(s). **Elections cannot be changed or withdrawn after open enrollment has ended on May 2, 2018.**

Direct Deposit information can be added or updated by paper form, through online enrollment, or in the Participant Account Detail for a quicker reimbursement. The forms are available at **www.asiflex.com/gic**.

See the ASIFlex website for up-to-date online enrollment information.

YOU MUST RE-ENROLL EACH PLAN YEAR.

THE HCSA/DCAP ELECTION APPLIES FOR ONE PLAN YEAR ONLY. IN ORDER TO CONTINUE PARTICIPATION IN THE PRE-TAX PLAN(S), YOU MUST RE-ENROLL IN THE HCSA/DCAP ELECTION AT EACH OPEN ENROLLMENT.

Annual Contribution Amount and Administrative Fee

The most important questions you may have are "How much to contribute?" and "How much the HCSA and DCAP programs cost?" **You must carefully estimate your election for the HCSA or DCAP plans, as the IRS requires that money not spent during the Plan Year, including the IRS 2½ Month Grace Period, be forfeited.** For more information about forfeitures and the IRS 2½ Month Grace Period, see "Plan Year End – 2 ½ Month Grace Period" on page 9.

The cost to administer these programs is paid for by each employee on a pre-tax basis. The monthly administrative fee for Fiscal Year Plan 2018/2019 is $2.50 – for HCSA alone, DCAP alone or, if you choose to participate in both the HCSA and DCAP programs you only pay the $2.50 administration fee for both.

Participants should examine prior-year records to determine how much money was spent for health care and dependent care related expense.

Health Care Spending Account (HCSA) 2018/2019

The Internal Revenue Service regulations limit the maximum amount that you may contribute for the 2018/2019 fiscal year plan to your HCSA is $2,650. The minimum is $250.

Dependent Care Assistance Program (DCAP) 2018/2019

The Internal Revenue Service regulations limit the maximum amount that you may contribute to the program. The fiscal year plan 2018/2019 maximum is $5,000 per family (not per individual participant).

Remember, the amount you select will be deducted from your paycheck on a pre-tax basis in equal installments over the period of the Plan Year. If you become eligible for HCSA or DCAP during the Plan Year by having a "change in status," (page 7) then you can make or change an election. Whatever amount you elect will be deducted in equal amounts each pay period for the remainder of the Plan Year. Note that the DCAP program has a maximum election based on Calendar year and household. Therefore, a mid-plan year election will be limited to a maximum per pay period amount of $192.30.

You will only be reimbursed for eligible expenses incurred while you are participating in the HCSA or DCAP plan. You cannot be reimbursed for expenses you incurred before your effective date or after you have ceased making contributions prior to plan year end.

Making Changes to Your Election

To comply with IRS regulations, you may only enroll in either plan, change your contribution, or terminate your election *during the Plan Year* if you can demonstrate a qualified "**change in status**." The following events are considered valid changes in status under IRS regulations:

- Change in legal marital status;
- Change in number of dependents;
- Change in employment status that affects your eligibility for the program;
- Change in work schedule, which affects your eligibility for the program;
- Dependent satisfies or ceases to satisfy eligibility requirements;
- Judgment, decree or order pertaining to child or spouse

A change in election due to a "change in status" must be requested, in writing, no later than 60 days after the "status change" occurs, to your Benefits Coordinator. A "change in status" request can be made by completing the HCSA/DCAP Enrollment/Change in Status Form available on the ASIFlex website at www.asiflex.com/gic, and submitting it to your Benefits Coordinator. You will need to provide documentation verifying a change in status such as a marriage or birth certificate.

Additional status changes allowed for DCAP

DCAP participants may be allowed to make a corresponding change in their election due to:

- Increase or decrease in the fee charged by provider;
- Change in provider resulting in an increased or decreased fee by provider;
- Change in the hours of care needed due to employment change
- Child reaching limiting age of 13 years old
- Child starting or stopping school that changes the number of hours for which care is needed.

Note: *Changes by a provider who is your relative are not permissible.*

How to File a Claim

As you incur qualified HCSA expenses, you may file a claim for reimbursement with ASIFlex or immediately pay for the eligible HCSA expense with the Health Care FSA debit card. If you choose to use the debit card, it is your responsibility to ask the provider for an itemized statement of the service (not the credit card receipt). **Use of the card is not paperless.**

You can submit claims via the ASIFlex Mobile Application or online through the Account Detail and upload your receipts directly into the system; or submit your claim using a **Flexible Spending Account (FSA) Claim Form.** The form is available from your Benefits Coordinator or on the ASIFlex website at www.asiflex.com/gic. All claims must be mailed, faxed, or submitted via the ASIFlex Mobile App or online to ASIFlex with the required documentation stated on the claim form. **RETAIN YOUR ITEMIZED RECEIPTS (not the credit card receipt) AND/OR INSURANCE EXPLANATION OF BENEFITS (EOBS)**, per IRS guidelines. Itemized receipts/statements must include (1) the provider name/address, (2) patient name, (3) date of service, (4) description of service, and (5) dollar amount. Failure to provide substantiation may result in the de-activation of the Health Care FSA debit card.

HCSA: You are permitted to make claims for eligible expenses up to your total annual election, at any time during the plan year, provided the expense was incurred while you are making deposits to your account.

DCAP: You may file claims for eligible dependent care expenses against your account balance for expenses you incur until your DCAP account is exhausted.

Claims can be filed with dates of service through the end of the plan year and 2 ½ month extension, September 15, 2019. **Claims must be filed with ASIFlex by October 15, 2019 for the 2018/2019 Fiscal Year plan**.

When you submit eligible expenses for reimbursement, you certify that the expense is not reimbursable from any other source. Also, you may only submit for reimbursement for eligible health related expenses from your HCSA, and dependent care expenses from your DCAP account.

IMPORTANT: To be considered eligible for reimbursement, the expense must occur during the 2018/2019 Fiscal Year Plan – on or after the date you become a participant in the plan. An expense is incurred when you receive the treatment or service, purchase the supply, or order the items; NOT when you receive a bill or make a payment.

What if My Claim is Denied?

If you disagree with a denied claim or adverse decision regarding your HCSA or DCAP benefit (e.g. claim for reimbursement denial, eligibility for pre-tax benefits or election change), and you feel this denial was made in error you may file a formal appeal.

Your completed Appeal Form must be submitted to ASIFlex within **60 calendar days** of the denied claim, as indicated in the Plan Document, by mail or fax. Use the appeal form to explain the situation and why you believe the claim should be paid. The appeal form is available on the ASIFlex website at www.asiflex.com/gic. You will also need to submit any and all appropriate documentation with the completed appeal form including a copy of the FSA claim denial notice. You will be notified of the appeal decision within approximately 7 business days of the receipt of your completed appeal form.

Submit all appeals to:

ASIFlex Appeals
P.O. Box 6044
Columbia, MO 65205-6044

Or fax to:

ASIFlex Appeals
877.879.9038 (toll free)

Eligible Dependents

HCSA: You may claim reimbursements for expenses incurred by your legal spouse, any individual who would qualify as a tax dependent of yours under IRS Code Part 152, and any child for whom you are required to provide health coverage pursuant to a Qualified Medical Support Order. Also, children of divorced parents are considered to be a dependent of both parents.

DCAP: You may claim reimbursements for expenses incurred for an "eligible dependent" **under the age of 13**. However, if a dependent is mentally or physically handicapped, he or she will remain a qualified dependent for DCAP irrespective of age.

Note: *In compliance with the IRS guidelines, the service provider cannot be an individual for whom a personal tax exemption may be claimed.*

Eligible Health Care Expenses

Many health care expenses not paid by your medical and dental plan can be reimbursed from your HCSA. Eligible expenses under a health care spending account are defined as those that are medically necessary, prescribed by a licensed practitioner and are not reimbursed under another program. To be considered eligible, these expenses must be considered expenses under Section 213 (d) (1) of the Internal Revenue Code. For a comprehensive listing of the eligible HCSA expenses go to www.asiflex.com/gic, Useful Links and click on Eligible Expenses.

IMPORTANT NOTE: Keep in mind that expenses such as insurance premiums may be deductible on Schedule A of your federal taxes but are not eligible for reimbursement through an HCSA. Certain medical expenses will require a doctor's statement indicating the specific medical condition, for example, speech therapy.

Medical care expenses include payments you make for the diagnosis, cure, mitigation, treatment, prevention of disease, or treatment affecting any part or function of the body. They also include insulin, and medicines and drugs that require a prescription. Over-the-counter (OTC) drugs are eligible if accompanied by a prescription. OTC health care products that are not considered a drug or medicine and are not classified as a dual purpose item (e.g. vitamins) are eligible without a prescription or doctor's letter.

Eligible Dependent Care Expenses

Eligible dependent care expenses are defined as those that enable the participant and the participant's spouse to work or to look for work. Your DCAP expenses must be for the well-being and protection of a qualified dependent **under the age of 13** or who is mentally or physically handicapped while you and/or your spouse, if married, work or are actively looking for employment. For a full listing of the eligible DCAP expenses go to www.asiflex.com/gic, Useful Links and click on Eligible Expenses.

Plan Year End – 2 ½ Month Grace Period

The IRS requires that any unused funds in participant accounts at Plan Year-end be forfeited. Further, you may not transfer unused money from one account to another. Each account must remain separate.

Since the plan does not allow you to carry amounts from one Plan Year to another, nor for excess contributions to be refunded to you, it is very important that you estimate your contributions carefully.

However, to alleviate forfeiture concerns, the IRS provides a 2½ month "grace period" in which you can spend down unused plan year contributions in either account. For instance, if you have $100 left over in your HCSA at the end of the plan year, you may still incur eligible expenses until September 15, 2019 that may be applied to your remaining prior year HCSA balance of $100. If you use your Health Care FSA debit card between July 1, 2019 and September 15, 2019 or submit a paper claim form for eligible expenses incurred during the 2½ month grace period, these expenses will be deducted from the prior plan year first and then the new plan year. Do not use your Health Care FSA debit card after September 15 to spend down your prior year balance. Once the grace period has ended, you must submit a paper claim form for any expenses incurred prior to the grace period-end by October 15, 2019.

The deadline to submit *all itemized receipts or insurance EOBs for expenses* you incurred during the plan year, including claims incurred during the 2½ month grace period, is October 15, 2019. The HCSA/DCAP Plan Year ends on June 30, 2019 and you must submit all prior year claims – including claims incurred during the 2½ month grace period – by October 15, 2019. After October 15, 2019 your account will be closed for the prior plan year.

Privacy of Medical Records

Under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") group health plans, such as the health care spending account and the third party service providers, are required to take steps to ensure that certain "Protected Health Information" (PHI) is kept confidential. You may receive a separate notice that outlines the health privacy policies of the plan or visit www.mass.gov/gic/hipaa to view the GIC's HIPAA Notice of Privacy Practices.

HCSA/DCAP Leave of Absence Options

There are two types of Leaves of Absence (LOA): Paid and Unpaid. When a Participant goes on a LOA, a Flexible Spending Account Change Form must be filled out and turned into the Benefits Coordinator, who will forward it to ASIFlex for processing. The form is available from your Benefits Coordinator or through the ASIFlex website www.asiflex.com/gic.

LOA – Paid

- **HCSA –** Deductions will continue to be taken from your pay each pay period and your HCSA coverage will continue uninterrupted. Expenses can be incurred before, during, or after the LOA.
- **DCAP –** Deductions can continue to be taken if you think you will have enough incurred expenses while you are actively working. Expenses can only be incurred before or after the LOA. No expenses may be reimbursed that were incurred while on the LOA. If you choose to stop your DCAP deductions, see the LOA section "Returning from an Unpaid LOA".

LOA – Unpaid

During an unpaid LOA, there is no coverage for incurred expenses. As a participant, you have options to extend your HCSA coverage while out on your unpaid LOA.

Prepay

- **HCSA –** Participants enrolled in the HCSA have the option of having a lump sum, pre-tax deduction taken from their last check(s), before the unpaid leave starts. This will cover the period of time that no payroll deductions are being taken. The HCSA debit card remains active and participants are able to continue using their funds and submit claims through the prepaid time period.

Example of Unpaid Leave of Absence Prepay (HCSA):
Jane is going on an unpaid Leave of Absence from 5/1-5/31 and is enrolled in an HCSA account. In order to use her HCSA account while on the unpaid Leave of Absence she will have the two HCSA deductions that would have been taken in May taken out of her last April paycheck before the unpaid leave. Now she can incur expenses while on the unpaid leave since her pre-tax pre-paid deductions extended her coverage through the pre-paid time period.

- **DCAP –** Participants enrolled in DCAP are urged to consider stopping their deductions while at home, as the IRS regulations state that you must be at work or a full-time student in order to be able to use the benefit. If you think you can claim your full election using dates of service that are not during your leave, you can choose to prepay your DCAP contributions similar to the HCSA prepay option. Be aware your deductions should not exceed the IRS set calendar year maximum.

Example of Unpaid LOA Prepay (DCAP):
Jane has a $2,500 plan year election for DCAP and is going on an unpaid maternity leave 5/1-5/31. Jane thinks she has enough expenses incurred between 1/1-4/30 and 6/1-6/30 to use her full election; so, she prepays her May deductions prior to the LOA with a pre-tax deduction to use for dates of service while active. She will not be able to use her DCAP account for dates of service while on leave, per IRS guidelines.

Direct Bill

- **HCSA –** Participants enrolled in the HCSA have the option to be directly billed for their flex benefit premiums and administrative fees while on the LOA. Direct bill deductions will be post-tax, as they are not occurring through payroll. **This process must be requested in writing by completing the *Flexible Spending Account Change Form* before or at the beginning of the start of the unpaid leave.** The participant must submit the form to their agency Benefits Coordinator, and the completed form will be forwarded to the plan administrator, ASIFlex, by the agency. ASIFlex will invoice the employee every two weeks with the amount due. The premium can be paid no later than the pay date on which the employee would have received a paycheck had they been active. Payments need to be made in a timely manner for the Health Care FSA debit card and account to remain active. **There is no grace period for a missed direct payment. If a payment is not paid by the due date, then coverage is discontinued until the employee's return to active status.**

Example of Unpaid LOA Direct Bill (HCSA):
Jane is going on an unpaid LOA from 5/1-5/31. In order to use her HCSA funds while on unpaid leave, she will have to fill out and submit the Flexible Spending Account Change Form to be direct billed for the May premiums. She will receive an invoice for her premiums and remit payment directly to ASIFlex. Her account will remain active while she is contributing.

- **DCAP –** Since direct pay is on an after-tax basis, there is no benefit for Participants to continue DCAP deductions directly while on the LOA. Per IRS regulations, you must be at work or a full time student in order to be able to use the benefit. Expenses can only be incurred before or after the LOA. No expenses may be reimbursed that were incurred while on the LOA.

Pay Upon Return (New in FY2018)

- **HCSA –** Participants enrolled in the HCSA have the option to make-up any missed deductions on a pre-tax basis upon their return from an unpaid leave. Coverage will be backdated to the LOA start date when the make-up amount is setup in payroll with your Benefits Coordinator. This will allow the participant to claim for HCSA expenses incurred while on their leave. The debit card will not be active while the participant is on the unpaid leave but will be reactivated upon their return.

Example of Unpaid LOA Pay Upon Return (HCSA):
Jane is going on an unpaid Leave of Absence from 5/1-5/31 and is enrolled in an HCSA account. She did not prepay or direct pay to have coverage while on her leave, but incurred medical expenses. To claim for those expenses incurred while on her leave she works with her Coordinator to make-up the deductions on an after-tax basis. Once setup in payroll, her coverage is backdated to the beginning of her leave and she can submit claims for those expenses.

- **DCAP –** Participants enrolled in DCAP are urged to consider stopping their deductions while at home, since IRS regulations state that you must be at work or a full-time student in order to be able to use the benefit. If you think you can claim your full election using dates of service that are not during your leave, you can choose to make-up your DCAP contributions similar to the HCSA pay upon return option, however your coverage will not be retro to the start of the leave. You can only increase your pay period maximum to $192.30. This will prevent exceeding the IRS set calendar year maximum.

Example of Unpaid LOA Prepay (DCAP):
Jane went on an unpaid maternity leave 5/1-5/31. Jane thinks she has enough expenses incurred between 1/1-4/30 and 6/1-6/30 to use her full election; so, upon her return she makes-up her May deductions pre-tax in her remaining pay, to use for dates of service while active. She will not be able to use her DCAP account for dates of service while on leave, per IRS guidelines.

LOA – No Coverage with Adjusted Election

- **HCSA –** Participants can choose to stop coverage for an unpaid leave and then restart the coverage upon their return to active status with a lowered election amount. With this option, Participants enrolled for the HCSA benefit will not prepay, direct pay, or make-up missed deduction amounts. Instead, the election can be reduced by the amount of missed deductions or to an amount chosen by the participant (no lower than the already contributed amount). If the election amount is reduced by the amount of missed deductions, then the pay period amount would remain the same. If the participant chooses any amount other than the before stated, then the deduction amount would need to be recalculated accordingly. With this option, the Health Care FSA debit card is suspended and no claims can be incurred while on the leave. When an employee returns to work and on payroll, you need to work with Benefits Coordinator to resume the HCSA deductions accordingly. Returning from an unpaid leave of absence is not a qualifying event to terminate your account.

Example of Unpaid LOA No Coverage (HCSA):
Jane goes on an unpaid leave from 5/1-5/31 and is enrolled in a HCSA account. She decides to discontinue her HCSA coverage while on her unpaid leave. Jane's coverage and remaining premium will be adjusted upon her return to work, where she will work with Benefits to restart her premium deductions accordingly. She cannot claim for dates of service during her unpaid LOA.

- **DCAP –** Participants enrolled for the DCAP benefit are urged to consider stopping their payroll deductions while at home, as the IRS regulations state that you must be at work or a full-time student in order to be able to use the benefit. When an employee returns back to work and on payroll, you need to work with the Benefits Coordinator to resume the DCAP deductions accordingly, similar to the HCSA no coverage with adjusted election.

Paid Leave Change to Unpaid Leave

If a participant is out on a Paid Leave that converts into Unpaid Leave (employee ran out of paid time off) the process and options of Prepay or Direct Billing **must be completed before the change in leave occurs** and payroll deductions are stopped suddenly. If the change occurs without Prepay or Direct Billing being selected, the account will go into a status of no coverage and the card will be suspended.

If you do not return from an unpaid LOA before the end of the plan year and meet your election, then the grace period will be forfeited. Your coverage period will reflect the time you were an active employee on payroll.

If You Terminate State Service During the Plan Year

If you leave state service during the Plan Year whether you resign, retire, or involuntarily separate, your participation in HCSA and DCAP will terminate as of midnight, the day of termination and your Health Care FSA debit cards will be inactivated. You will only be able to submit claims for eligible health care expenses that were incurred on or before your last day of active employment.

For the fiscal year plan July 1, 2018 through June 30, 2019, you have until October 15, 2019 to submit all claims. See the following information about using your account after you terminate state service:

✓ **HCSA –** You may elect to continue to contribute to the HCSA account under COBRA by making direct payments on an after-tax basis. Your eligibility for HCSA COBRA will be determined by ASIFlex. ASIFlex will send the COBRA Qualifying Event Election Notice directly if you qualify for HCSA COBRA coverage. If you elect to continue HCSA coverage under COBRA, the amount billed to you would include a 2% administrative fee.

✓ **DCAP –** You may file claims for eligible dependent care expenses against your account balance for expenses you incur until your DCAP account is exhausted. Claims can be filed with dates of service through the end of the Plan Year as long as you are actively working, actively seeking employment, or a full time student. Claims must be filed by October 15, 2019.

Transfer vs Rehire

As an employee, you may take advantage of other job opportunities within the Commonwealth of MA. If you are enrolled in the FSA plan, adjustments would need to be made accordingly.

Transfer – Employee transfers employment between state agencies with no break in employment. HCSA and DCAP coverage will continue with no change. You will need to work with the Benefits Coordinator at your prior and new agency to ensure deductions for your premium continue. If there is any unpaid time between leaving one agency and starting at the other, then there will be no coverage for those unpaid dates.

Rehire – Left state service and is rehired as same or different agency:

- ✓ **Less than 30 days –** There is no break in employment status. HCSA and DCAP enrollments will remain the same and deductions need to be adjusted according to the remaining pay periods, if any pay periods are missed. Work with your Benefits Coordinator at your (old and/or new) agency to insure deductions for your premium continue. There is no HCSA coverage for any dates of non-employment. DCAP coverage is available if you are actively working, actively seeking employment, or a full-time student.
- ✓ **More than 30 days –** When there is more than 30 days between leaving a state agency and starting at a new agency, or being rehired at the same agency, then you are treated as a New Hire. Your prior election coverage is stopped effective the date you left state service. When you are rehired, you have the opportunity to make a new election, effective after the waiting period, as stated in "Eligibility of a Pre-Tax Plan". You can only elect up to the maximum $2,650.00, set by the IRS, in a plan year under an employer. So, your new election could not exceed $2,650.00 with the difference of what you elected under the prior plan. The elected funds in the new plan will only be eligible for expenses that occur after your new effective date through the grace period. There is no HCSA coverage for any dates of non-employment. Your prior DCAP coverage is available if you are actively working, actively seeking employment, or a full-time student. Fill out the 2018/2019 GIC Enrollment Form to make a new election and turn it into your Benefits Coordinator **within 10 days** of your new hire date.

GROUP INSURANCE COMMISSION

Commonwealth of Massachusetts
Group Insurance Commission
19 Staniford Street, 4th Floor
Boston, MA 02114

Website www.mass.gov/gic
FSA page www.mass.gov/gic/fsa
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CONTACTING THE GIC'S FSA CLAIMS ADMINISTRATOR

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Columbia, MO 65205-6044

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Toll-Free Fax 1.877.879.9038

Customer Service Hours:
8 AM to 8 PM; Monday – Friday
10 AM to 2 PM; Saturday

Toll-Free Phone 1.800.659.3035

View your account balance and submit claims via the free mobile App!

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Commonwealth of Massachusetts Group Insurance Commission

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