

BREAKING NEWS – Health FSA Carryover Amount Increased and Premium Reimbursements of Individual HRAs Clarified



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The Health FSA carryover provision allows participants who at the end of a plan year have unused money in their Health FSA, to carryover to pay or reimburse the participant for medical care expenses incurred in the immediately following plan year. The maximum unused amount from a plan year starting in 2020 allowed to be carried over to the immediately following plan year beginning in 2021 has increased from \$500 to \$550, as adjusted for annual inflation.

As a result of the increased carryover amount, individuals in 2020 may choose to increase their health FSA contributions, or begin to make health FSA contributions. Although only future salary may be reduced under the revised election, amounts contributed to the health FSA after the revised election may be used for any medical care expense incurred during the first plan year that begins on or after January 1, 2020.

An individual coverage HRA may reimburse a substantiated premium for health insurance coverage that begins on January 1 of that plan year, even if the covered individual paid the premium for the coverage prior to the first day of the plan year.

IRS Notice 2020-33: <https://www.irs.gov/pub/irs-drop/n-20-33.pdf>