

SpecialAlert

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INCREASED FSA MAXIMUMS INCREASED PCOR FEES

The IRS recently released an indexed increase to the Patient Center Outcomes Research (PCOR) fee, as well as an increase to the statutory annual maximum for medical Flexible Spending Accounts (FSAs).

PCOR FEE

The Internal Revenue Service (IRS) issued Notice 2018-85, stating that the applicable dollar amount to determine PCOR fees for plan years ending on or after October 1, 2018, and before October 1, 2019, will increase from \$2.39 to \$2.45.

The Affordable Care Act imposed the PCOR fee on health insurance carriers and self-funded health plan sponsors. The fee, which is indexed annually, is scheduled to apply from September 30, 2012 through October 1, 2019. The amount is based on increases in the projected per capita amount of national health expenditures.

The final regulations related to this fee are explained in our *Reform Update* at http://www.mcgraw-wentworth.com/Reform_Update

[date/2013/Reform_Update_58.pdf](#).

These fees help fund the Patient-Centered Outcomes Research Institute. The fee amount per plan or policy is calculated using the average number of lives covered under the policy or plan and the applicable dollar amount for that policy year or plan year.

INCREASED MEDICAL FSA STATUTORY MAXIMUM

The IRS just released Revenue Procedure 2018-57, announcing a number of annual increases, including one to the dollar limit for medical FSAs. The indexed annual limit for 2019 plan years is \$2,700. (The Affordable Care Act established an annual limit on medical FSAs in 2013.)

This increased maximum has come at a challenging time for many employers, who are in the middle of open enrollment for their benefit plans. Employers need to consider how best to address the increase. They can choose simply

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to leave their plan's annual limit where it is (the 2018 maximum is \$2,650). However, if an employer wants to increase the maximum to \$2,700 as of January 1, 2019, there are several options depending on the current stage of the open enrollment process:

Situation 1: Already completed open enrollment for January 1, 2018

Since you have already completed open enrollment, you need to decide whether to adopt this increased annual limit for 2019. If you decide to adopt it, you must communicate the increase to your employees. You must also allow employees to revise their 2019 medical FSA elections.

The revised election does not need to be a re-enrollment in your plan. You could simply send a memo to all employees advising them of the new maximum. Ask them to contact you by a specific date to revise their election. Very few employees will likely take advantage of this opportunity.

Situation 2: Currently in the midst of open enrollment for 2019

Since you are in the middle of open enrollment right now, you will need to decide quickly whether to adopt this increased annual limit. If you do adopt it, you should decide how to communicate it to your employees. A memo amending your open enrollment communications should suffice.

The situation may be a little tricky because some employees will have already completed enrollment. It makes sense to have employees contact you directly to revise their FSA elections. You can advise employees that have not completed their elections

that they can elect up to the new annual limit.

Situation 3: Still making decisions for January 1, 2019

Since you are still finalizing decisions for 2019, this will be another decision to make. If you decide to increase your annual limit, this should be included in your communication materials and your annual election process.

Situation 4: Non-Calendar Year Renewal

You have time to decide if you want to increase the annual maximum for your medical FSA. Make sure to add a calendar reminder so you do not forget to address the maximum when you're planning for your next renewal.

The timing on this announcement was not ideal. The good news is that employers are not obligated to adopt the increased maximum. An employer could choose to increase the maximum for a subsequent plan year, after having more time to communicate and adopt the change.

Please remember that your plan document must be amended if you specifically refer to the maximum benefits in terms of a dollar amount. Some plan documents simply state that the maximum election amount is the current statutory maximum. This means the plan will automatically increase to the statutory maximum whenever the government makes an indexed increase. The employer does not have to modify the plan document, but needs to reference the correct dollar maximum in employee communications.

Please call your Marsh & McLennan Agency | Michigan Account Manager with any questions.MMA



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