

# **Group Insurance Commission Flexible Spending Account Programs**

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



**Commonwealth of Massachusetts  
Group Insurance Commission**

### ***Participant Handbook – Half-Year Plan 2016***

HALF YEAR PLAN: JANUARY 1 TO JUNE 30, 2016  
2 ½ MONTH GRACE PERIOD: JULY 1 – SEPTEMBER 15, 2016  
CLAIM FILING DEADLINE: OCTOBER 15, 2016

***[www.asiflex.com/gic](http://www.asiflex.com/gic)  
[www.mass.gov/gic/fsa](http://www.mass.gov/gic/fsa)***

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

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

- The HCSA and DCAP plan year will be changing from a calendar year to a fiscal year in 2016 to coincide with other GIC benefits.
- Open Enrollment: Fall 2016 for the 1/1/2016 half-year plan year of January 1 – June 30, 2016 (see GIC's website of details, [www.mass.gov/gic/fsa](http://www.mass.gov/gic/fsa)). For the 2016 Half-Year Plan Open Enrollment is October 13-December 4, 2015.
- 2016 Half-Year Plan Year: January 1, 2016 – June 30, 2016
- IRS 2 ½ month grace period: June 30, 2016 – September 15, 2016
- Claims for services must be incurred during the plan year
- Final deadline to submit plan year and grace period claims: October 15, 2016
- Administrative pre-tax fee: \$2.50 per month 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 \$1,275 for the 2016 half-year plan.
- The DCAP maximum contribution is \$2,500 for the 2016 half-year plan.

**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.

## Basics of Pre-Tax Reimbursement Accounts

Participating in a HCSA and/or DCAP programs 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.

- ✓ 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 or by fax or mail.
- ✓ When you have incurred an eligible DCAP expense you can either file a claim via the ASIFlex Mobile App, online through the portal 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.

**Tax Benefits of  
HCSA or DCAP  
programs**

As a result, 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 his HCSA or DCAP account, funded by his 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:

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

***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 Half Year Plan runs from January 1 to June 30, 2016 with an IRS 2½ month grace period to September 15, 2016.**  
**(See 2 ½ month grace period section for more details.)**

#### **Eligibility in a Pre-Tax Plan**

##### **Eligibility for Health Care Spending Account**

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. Claims incurred after your effective date are eligible for reimbursement. 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.

##### **Eligibility for Dependent Care Assistance Program**

All active state employees, including contractors, who work half-time or more 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**

##### **Enrollment for HCSA & DCAP**

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

If you enroll in the HCSA program you will automatically receive a free set of two 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.**

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 the GIC's website at [www.mass.gov/gic/fsa](http://www.mass.gov/gic/fsa) or through your Payroll Coordinator.

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 30 days from your date of hire.

**During Open Enrollment  
Re-enroll  
ONLINE**

**During Open Enrollment - Re-Enrollment ONLINE**

If you are a **current HCSA or DCAP participant** with the Commonwealth of Massachusetts, you must re-enroll online; go to [asiflex.com/GIC](http://asiflex.com/GIC) and click on the "Account Detail" tab and log into your account. Once you are on the Main Menu, simply click on the green "Open Enrollment" button under the "Participant Services" section of the webpage. In January 2016, be sure to check your pay advice to make sure you are receiving deduction(s).

Direct Deposit information can be added or updated on the consumer portal for a quicker reimbursement turnaround time. Direct deposit forms can also be downloaded on the HCSA and DCAP pages if you cannot add it via the portal.

See the GIC 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 that you may have are "How much money should I contribute?" and "How much do the HCSA and DCAP programs cost?" **You must carefully estimate your contributions to 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 "If You Don't Use Your Entire Account by Plan Year End" on page 8.

The cost to administer these programs is paid for by each employee on a pre-tax basis. The monthly administrative fee for Half-Year Plan 2016 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 you spent for health care and dependent care related expenses.

**Health Care Spending Account (HCSA) 2015**

The Internal Revenue Service regulations limit the maximum amount that you may contribute for the 2016 half-year plan to your HCSA is \$1,275. The minimum is \$250.

**Dependent Care Assistance Program (DCAP) 2015**

The Internal Revenue Service regulations limit the maximum amount that you may contribute to the program. The half-year plan 2015 maximum is \$2,500 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," (see below) you can elect to deposit up to the full maximum amount for the partial year. Whatever amount you elect will be deducted in equal amounts each pay period for the remainder of the Plan Year.

**You will only be reimbursed for eligible expenses incurred while you are participating in the HCSA/DCAP plan and making deposits.** You cannot be reimbursed for expenses you incurred before your effective date or after you have ceased making contributions to your account.

## Making Changes to Your Election

In order 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 changes your eligibility for the program;
- Change in work schedule, which changes 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 30 days after the “status change” occurs to your Payroll Coordinator. A “change in status” request can be made by completing the HCSA/DCAP Enrollment/Change in Status Form available on the GIC’s website at [www.mass.gov/gic/fsa](http://www.mass.gov/gic/fsa), and submitting it to your Payroll Coordinator. You will need to provide documentation verifying a change in status such as a marriage or birth certificate.

Additional “change in status” 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
- 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.

You can submit claims via the ASIFlex Mobile Application, or you can submit claims online through the portal and upload your receipts directly into the system or submit your claim using a **Flexible Benefit Plan Reimbursement Request Form**. The form is available from your Payroll Coordinator or on the GIC’s website at [www.mass.gov/gic/fsa](http://www.mass.gov/gic/fsa). 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. **BE SURE TO RETAIN YOUR ITEMIZED RECEIPTS AND/OR INSURANCE EXPLANATION OF BENEFITS (EOBS)**, per IRS guidelines. Itemized receipts/statements must include the provider name/address, patient name, date of service, description of service and 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 a claim for an eligible expense up to your total annual election, at any time during the 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, 2016. Claims must be filed with ASIFlex by October 15, 2016 for the 2016 Half-Year plan.

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

**IMPORTANT: To be considered eligible for reimbursement, the expense must occur during the 2016 Half 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 180 calendar days**, 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 GIC's website at [www.mass.gov/gic/fsa](http://www.mass.gov/gic/fsa). 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 866.879.9038 (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" that **must be under age 13**. Claims for dependents will only be eligible and processed until the dependent turns thirteen. However, if a dependent is mentally or physically handicapped, he or she will remain a qualified dependent for the dependent care 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](http://www.asiflex.com/gic), Flexible Spending Accounts.

**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 a 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, or 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 are eligible without a prescription.

### 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 full a listing of the eligible DCAP expenses go to [www.asiflex.com/gic](http://www.asiflex.com/gic), Flexible Spending Accounts.

### If You don't Use Your Entire Account by 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 IRS 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 plans. 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, 2016 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, 2016 and September 15, 2016 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. You must submit a paper claim form by October 15, 2016.

The deadline to submit all itemized receipts or insurance EOBs for expenses you incurred during the half year plan, including claims incurred during the 2½ month grace period, is October 15, 2016. The HCSA/DCAP Plan Year-ends on December 31, 2015 and you must submit all prior year claims - including claims incurred during the 2½ month grace period - by October 15, 2016. After October 15, 2016 your account will be closed for the prior plan year.

**Note:** *The grace period is not applicable to participants with a \$0 prior plan year account balance or to employees who did not have a prior plan year account.*

### 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” 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](http://www.mass.gov/gic/hipaa) to view the GIC’s HIPAA Notice of Privacy Practices.

**What happens if I take a leave of absence?**

**What are my options with HCSA and DCAP?**

There are two types of Leaves of Absence (LOA): Paid and Unpaid

#### **Leave of Absence – Paid**

- **HCSA** – during a paid leave of absence your HCSA will continue the same as if you were not on a leave of absence. Deductions will continue to be taken from your pay each pay period. Expenses can be incurred before, during or after the LOA.
- **DCAP** – during a paid leave of absence your DCAP will continue to have deductions taken while you are out. Expenses can only be incurred before or after the LOA. No expenses may be reimbursed that were incurred while on the LOA.

#### **Leave of Absence – Unpaid Prepay**

- **HCSA** - Participants enrolled for the HCSA benefit have the option of having a pre-tax deduction lump sum taken from their last check before the unpaid leave starts to cover the period of time that no payroll deductions are being taken – with this option, the Health Care FSA debit card remains active and participants are able to continue using their HCSA funds and submit claims.

Example of Unpaid Leave of Absence Pre-pay (HCSA):

Jane Smith 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.

- **DCAP** - Participants enrolled for 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. If you think you can claim your full election using dates of service that are not during your leave, you can choose the option to pre-pay your DCAP contributions similar to the HCSA pre-pay option.

Example of Unpaid Leave of Absence Pre-pay (DCAP):

Jane Smith goes out on an unpaid maternity leave from 5/1-5/31 and is enrolled in a DCAP account. Jane’s half year plan election is \$2,500 for DCAP. If Jane thinks she has enough expenses incurred between 1/1-4/30 and 6/1-16/30 to use the full \$2,500 she can pre-pay her May deductions prior to going out on the leave on a pre-tax basis to use for dates of service while active. She will not be able to use her DCAP account for dates of service while on the leave per IRS guidelines.

#### **Leave of Absence – Unpaid Direct Bill**

- **HCSA** - Participants enrolled for HCSA benefit have the option of having their flex benefit premiums and administration fees directly billed by ASIFlex while on the leave of absence. This process must be requested directly to ASIFlex in writing by completing the Change in Status Form before the leave starts. The Change in Status Form is available on the GIC’s website at [www.mass.gov/gic/fsa](http://www.mass.gov/gic/fsa) and submit to your agency Payroll Coordinator. The completed form will be forwarded to the plan administrator, ASIFlex, by your coordinator. The employee will then be invoiced from ASIFlex every two weeks with the amount due and the premium can be paid by check or money order no later than the pay date on which the employee would’ve received a

paycheck had they been active. So long as payments are made in a timely manner the Health Care FSA debit card remains active and participants are able to continue using their HCSA funds and submit claims. These direct bill deductions will be post-tax since they are not occurring through payroll.

**Example of Unpaid Leave of Absence Direct Bill (HCSA):**

Jane Smith 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 to request in writing to ASIFlex to be direct billed for the May premiums.

- **DCAP** - Participants enrolled for 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.

If you think you can claim your full election using dates of service that are not during your leave, you can choose the option to direct bill your DCAP contributions similar to the HCSA direct bill option.

**Example of Unpaid Leave of Absence Direct Bill (DCAP):**

Jane Smith goes out on an unpaid maternity leave from 5/1-5/31 and is enrolled in a DCAP account. Jane's annual election is \$2,500 for DCAP. If Jane thinks she has enough expenses incurred between 1/1-4/30 and 6/1-6/30 to use the full \$2,500 she can have her May deductions direct billed while out on leave on a post-tax basis to use for dates of service while active. She will not be able to use her DCAP account for dates of service while on the leave per IRS guidelines.

**Leave of Absence – Unpaid Make up**

- **HCSA** - Participants enrolled for HCSA benefit have the option of having pre-tax deductions taken from their pay checks after the unpaid leave has ended. 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 back to work and on payroll, the payroll coordinator needs to recalculate the remainder election balance over the rest of the number of pay periods in that plan year.

**Example of Unpaid Leave of Absence Make Up (HCSA):**

Jane Smith goes out on an unpaid leave from 5/1-5/31 and is enrolled in a HCSA account. Jane's half year election is \$1,275 with a year to date total contribution of \$850 as of 5/1. Jane's remainder premium of \$425 will resume on 6/1 and will be divided over the remaining two pay periods at \$212.50.

- **DCAP** - Participants enrolled for 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.

If you think you can claim your full election using dates of service that are not during your leave, you can choose the option to direct bill your DCAP contributions similar to the HCSA direct bill option.

**Example of Unpaid Leave of Absence Make Up (DCAP):**

Jane Smith goes out on an unpaid maternity leave from 5/1-5/31 and is enrolled in a DCAP account. Jane's annual election is \$2,500 for DCAP. If Jane thinks she has enough expenses incurred between 1/1-4/30 and 6/1-6/30 to use the full \$2,500 she can have her May deductions taken from her pay checks after the unpaid leave has ended. She will not be able to use her DCAP account for dates of service while on the leave per IRS guidelines. Jane has a year to date total contribution of \$850 as of 5/1.

Jane's remainder premium of \$425 will resume on 6/1 and will be divided over the remaining two pay periods at \$212.50.

### **Paid Leave Change to Unpaid Leave**

If a participant who goes 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.

### **Returning from an Unpaid Leave**

Returning from an unpaid leave of absence is not a qualifying event to terminate your account. If you return on payroll during the plan year you have two options:

1. You may continue your original annual election with payroll deductions recalculated for the remainder of the year.
2. You can also choose to lower your election to the amount you have contributed as long as you have not spent more than you have contributed (HCSA).

For example: If you elect \$1,000 as your HCSA goal amount and have total year to date payroll deductions of \$500 before your leave, if you have not exceeded \$500 in expenses you can lower your goal amount to \$500 for the remainder of the year. However, if you used more than you've contributed, such as \$750, you can only lower the goal amount to \$750 for the remainder of the plan year.

### **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 half year plan January 1 through June 30, 2016, you have until October 15 to submit all claims. In order to use your HCSA account **after** you terminate state service:

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. The HCSA Continuation Coverage under COBRA General Notice and Election Form are available from your payroll coordinator upon termination or the GIC's website at [www.mass.gov/gic/fsa](http://www.mass.gov/gic/fsa). ASIFlex will send the COBRA Qualifying Event Election Notice 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. Claims must be filed by April 15.

**Group  
Insurance  
Commission**

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

Website [www.mass.gov/gic](http://www.mass.gov/gic)

FSA page [www.mass.gov/gic/fsa](http://www.mass.gov/gic/fsa)

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