

Medical/Dental Expense Account (MDEA) and the \$500 Carryover

Questions & Answers for Plan Year 2018

1. What is the \$500 Carryover?

A: Effective with the 2014 plan year, the State of MN's MDEA and Limited MDEA (for dental and vision expenses only) include the \$500 Carryover feature. This added benefit allows you to carry forward up to \$500 of unreimbursed money from your 2017 account over to 2018. The money carried over can be used for expenses incurred in 2018 (or expenses incurred in 2017 if submitted on or prior to February 28, 2018), so the risk of forfeiture is greatly reduced.

2. Do I sign up for the carryover?

A: No. Carryover enrollment is automatic for eligible participants. MDEA eligible participants with a balance remaining in their 2017 MDEA as of January 1, 2018, will automatically have up to \$500 of that balance carried over to a 2018 account. Any amount remaining in your 2017 plan year MDEA greater than the \$500 maximum at the end of the 2017 run out period will be forfeited.

3. Am I eligible to participate in the \$500 Carryover?

A: You are eligible for the carryover if you have contributed your full annual election for the 2017 plan year. These contributions can be made through payroll contributions or through COBRA contributions (on a post-tax basis), whichever is appropriate for your situation.

4. What happens to the carried over amount if I terminate or retire?

A: Depends on whether or not you made a new election for 2018.

If you did not elect an MDEA for 2018, but have carryover funds and leave state employment in 2018:

- The amount you carried over will be available for reimbursement of eligible expenses for 18 months (the eligible COBRA period) from your separation date.
- You must still adhere to reimbursement deadlines that apply to any given plan year.

If you elected an MDEA for 2018, have carryover funds, and leave state employment in 2018:

- Your participation in the MDEA will end on your separation date. Any expenses must be incurred by your separation date in order to be considered for reimbursement. The amount you carried over is treated the same as a new election and faces the risk of forfeiture if you do not have enough in expenses to submit against the funds contributed to your account.



- You may elect to participate in the MDEA plan through COBRA continuation by making monthly contributions to the account on a post-tax basis. This will extend the eligible dates of service of when expenses can be incurred and reimbursed through the plan. If you continue your MDEA coverage on COBRA continuation through December 31, 2018, any remaining balance in your 2018 MDEA of \$500 or less will continue into 2019. The continuation period is limited to 18 months after your separation date (the eligible COBRA period).

5. Do I need to make a 2018 election in order to participate in this?

A: No. You are still eligible to make a 2018 election of up to \$2,650. However, a 2018 election is not required in order to have the \$500 Carryover. If you do not make a 2018 election, an account will be set up for you if eligible and you have funds remaining from 2017.

6. Can I still elect the 2018 maximum and have money carried over from 2017?

A: Correct. The amount that is carried over from 2017 is in addition to any 2018 election you make. For example, you can have a \$2,650 election for 2018 added to your carry over amount and have up to \$3,150 available to you for 2018 expenses.

7. Does it apply to the Dependent Care Expense Account (DCEA)?

A: No. The \$500 Carryover only applies to the MDEA and Limited MDEA. DCEA election amounts must still be used within the given plan year or risk forfeiture.

8. How does the \$500 Carryover work?

A: For those who are eligible for the \$500 Carryover, on January 1, 2018 up to \$500 of your remaining 2017 balance will be moved to the 2018 plan year account.

NOTE: During the run out period (until February 28, 2018), the carried over amount is available to reimburse either expenses incurred in 2017 or expenses incurred in 2018. Remember not to use your debit card in 2018 to pay for 2017 expenses.

For example: You have \$600 remaining in your 2017 plan year account on January 1, 2018. The carryover amount of \$500 of this total will be available to use towards either 2017 or 2018 dates of service. The balance of \$100 is only available to use towards 2017 dates of service during the run out period.

When a 2017 claim is submitted during the run out period, you will be paid out of any funds remaining from the 2017 plan year account. Once the amount from 2017 is exhausted, no additional 2017 expenses can be reimbursed.

For example: You have \$600 remaining in your 2017 plan year account. During the run out period, \$500 of this amount could be used towards either 2017 or 2018 dates of service and \$100 can only be used towards 2017 dates of service. A reimbursement request is submitted for a date of service of December 15, 2017, for \$700. Since the remaining balance from 2017 was only \$600 total, \$600 of this claim will be processed and the rest of the claim cannot be reimbursed since there are no funds remaining. There will be no additional funds available to use towards 2018 claims since you have been reimbursed the full amount from the 2017 plan year account.



During the run out period if you submit a 2018 claim, it will first be paid out of your 2018 election amount, if you made a 2018 election. If you did not make a 2018 election, this claim will be paid out of the funds that carried over from 2017. Once the 2017 amount has been depleted, no additional claims from either 2017 or 2018 can be reimbursed.

For example (if a 2018 election is made): You have \$200 remaining in your 2017 plan year account and made an election of \$500 for the 2018 plan year. On February 20, 2018, you submit a claim for \$100 for 2018 dates of service. The claim will be paid out of your 2018 election amount, reducing your 2018 available balance down to \$400. After the run out period, if you have not submitted any other 2017 claims, the \$200 that was remaining from 2017 will be added to the available 2018 balance, giving you an available balance of \$600 to be used on 2018 dates of service.

Another example (if a 2018 election is not made): You have \$200 remaining in your 2017 plan year account and did not make an election for the 2018 plan year. On February 20, 2018, you submit a claim for \$100 for 2018 dates of service. The \$100 is paid out of the carried over amount from the 2017 plan year, reducing your available amount to \$100 that can be used either towards 2017 dates of service (up until February 28, 2018) or 2018 dates of service.

If the 2018 claim you submitted is for an amount greater than your 2018 election, you will be paid out of the 2018 account first, and once that account is depleted, you will be paid out of the funds that carried over from 2017. Once those funds are depleted, no additional claims from either 2017 or 2018 can be reimbursed.

At the end of the 2017 plan year run out period (February 28, 2018), any funds remaining in your 2017 plan year account in excess of \$500 will be forfeited. Any amount remaining that is less than \$500 from the 2017 account can be carried over from 2017 and used for eligible expenses with dates of service in 2018 only.

For example: At the end of the day on February 28, 2018, you still have \$600 left from the 2017 plan year. \$100 of this amount will be forfeited since claims towards 2017 were not submitted by the filing deadline. The balance of \$500 is not forfeited; however, it can now only be used towards 2018 dates of service.

9. How much carries over to the new plan year? What if I have more remaining in my 2017 account than that?

A: The IRS allows up to \$500 to carry over to the 2018 plan year. If your 2017 plan year balance is greater than \$500, any funds remaining in the 2017 account over \$500 after the end of the run out period on February 28, 2018 will be forfeited.

10. Is the Carryover amount cumulative from year to year? If I carried over \$500 into 2017, and didn't use it, can I then carry over \$1000 into 2018?

A: No. \$500 is the maximum that can be carried over each year.

11. When do I need to use the funds that carry over?

A: Carried over funds can be used at any time during the 2018 plan year. Please see question #4.



12. How does the carryover work with Health Savings Accounts (HSA)?

A: There are special rules regarding accessing funds in an MDEA and contributing to an HSA during the same calendar year. Please contact 121 Benefits Customer Service for assistance if you (or your spouse or an eligible dependent) will be contributing to an HSA in 2018 and think you may have MDEA funds that can be carried over to 2018. Remember that if you or your spouse or eligible dependent contribute to an HSA, you cannot contribute to a general purpose MDEA. You can only contribute to a limited purpose MDEA (limited to dental and vision reimbursement) without tax consequences.

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