

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

### Questions & Answers for Plan Year 2019

#### 1. What is the \$500 Carryover?

**A:** 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 over up to \$500 of unreimbursed money from your 2018 account over to 2019. The money carried over can be used for expenses incurred in 2019 (or expenses incurred in 2018 if submitted for reimbursement on or prior to February 28, 2019), 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 2018 MDEA as of January 1, 2019, will automatically have up to \$500 of that balance carried over to a 2019 account. Any amount remaining in your 2018 plan year MDEA greater than the \$500 maximum at the end of the 2018 run out period will be forfeited.

#### 3. Am I eligible for the \$500 Carryover?

**A:** You are eligible for the carryover if you have contributed your full annual election for the 2018 plan year. These contributions can be made through payroll contributions or through COBRA contributions (on an after-tax basis), whichever is appropriate for your situation.

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

**A:** This depends on whether or not you made a new election for 2019.

If you did not elect a 2019 MDEA, but have carryover funds and leave state employment in 2019:

- The amount you carried over may 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 a 2019 MDEA, have carryover funds, and leave state employment in 2019:

- 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 the 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 continue participation in the MDEA plan through COBRA continuation by making monthly contributions to the account on an after-tax basis. This will extend the eligible dates of service of when expenses can be incurred and reimbursed through the MDEA. If you continue your MDEA coverage on COBRA continuation through December 31, 2019, any remaining balance in your 2019 MDEA of \$500 or less may continue into 2020. The continuation period is limited to 18 months after your separation date (the eligible COBRA period).

**5. Do I need to make a 2019 election in order to participate in this?**

**A:** No. You are still eligible to make a 2019 election of up to \$2,700. However, a 2019 election is not required to have the \$500 Carryover. If you do not make a 2019 election, an account will be established if eligible and you have funds remaining from 2018.

**6. Can I still elect the 2019 maximum and have money carried over from 2018?**

**A:** Yes. The amount that is carried over from 2018 is in addition to any 2019 election you make. For example, you can have a \$2,700 election for 2019 added to your carry over amount and have up to \$3,180 available to you for 2019 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, 2019 up to \$500 of your remaining 2018 balance will be moved to the 2019 MDEA.

NOTE: During the run out period (until February 28, 2019), the carried over amount is available to reimburse either expenses incurred in 2018 or in 2019. Remember not to use your debit card in 2019 to pay for 2018 expenses.

For example: You have \$600 remaining in your 2018 plan year account on January 1, 2019. The carryover amount of \$500 of this total will be available to use towards either 2018 or 2019 dates of service. The balance of \$100 is only available to use towards 2018 dates of service during the run out period.

When a 2018 claim is submitted during the run out period, you will be paid out of any funds remaining from the 2018 MDEA. Once the balance from 2018 is exhausted, no additional 2018 expenses can be reimbursed.

For example: You have \$600 remaining in your 2018 MDEA. During the run out period, \$500 of this amount could be used towards either 2018 or 2019 dates of service and \$100 can only be used towards 2018 dates of service. A reimbursement request is submitted for a date of service of December 15, 2018, for \$700. Since the remaining balance from 2018 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 2019 claims since you have been reimbursed the full amount from the 2018 MDEA.



During the run out period if you submit a 2019 claim, it will first be paid out of your 2019 election amount, if you made a 2019 election. If you did not make a 2019 election, this claim will be paid out of the funds that carried over from 2018. Once the 2018 amount has been depleted, no additional claims from either 2018 or 2019 can be reimbursed.

For example (if a 2019 election is made): You have \$200 remaining in your 2018 MDEA and made a 2019 MDEA election of \$500. On February 20, 2019, you submit a claim for \$100 for a 2019 date of service. The claim will be paid out of your 2019 election amount, reducing your 2019 available balance down to \$400. After the run out period, if you have not submitted any other 2018 claims, the \$200 that was remaining from 2018 will be added to the available 2019 balance, giving you an available balance of \$600 to be used on 2019 dates of service.

Another example (if a 2019 election is not made): You have \$200 remaining in your 2018 MDEA and did not make a 2019 MDEA election. On February 20, 2019, you submit a claim for \$100 for a 2019 date of service. The \$100 is paid out of the carried over amount from the 2018 plan year, reducing your available amount to \$100 that can be used either towards 2018 dates of service (up until February 28, 2019) or 2019 dates of service.

If the 2019 claim you submitted is for an amount greater than your 2019 election, you will be paid out of the 2019 account first, and once that account is depleted, you will be paid out of the funds that carried over from 2018. Once those funds are depleted, no additional claims from either 2018 or 2019 can be reimbursed.

At the end of the 2018 plan year run out period (February 28, 2019), any funds remaining in your 2018 MDEA in excess of \$500 will be forfeited. Any amount remaining that is \$500 or less in the 2018 MDEA can be carried over from 2018 and used for eligible expenses with dates of service in 2019 only.

For example: At the end of the day on February 28, 2019, you still have \$600 left from the 2018 MDEA. \$100 of this amount will be forfeited since claims towards 2018 were not submitted by the filing deadline. The balance of \$500 is not forfeited; however, it can now only be used towards 2019 dates of service.

**9. How much carries over to the new plan year? What if I have more remaining in my 2018 account than that?**

**A:** The IRS allows up to \$500 to carry over to the 2019 plan year. If your 2018 MDEA balance is greater than \$500, any funds remaining in the 2018 MDEA over \$500 after the end of the run out period on February 28, 2019 will be forfeited.

**10. Is the Carryover amount cumulative from year to year? If I carried over \$500 into 2018, and didn't use it, can I then carry over \$1,000 into 2019?**

**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 during the 2019 plan year as long as your MDEA is active. Please see question #4.

**12. How long can I continue to carry over MDEA dollars and is there a minimum amount in which I can carry over into the next year?**

**A:** There currently is not a minimum amount that may be carried over. Carryover funds may be available for up to 18 months following separation (see question #4). Carryover funds should not be considered a savings account. The Internal Revenue Service and/or the Employer can rescind or limit the availability of carryover funds.

**13. 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 2019 and think you may have MDEA funds that can be carried over to 2019. 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.

