



Health Care Expense Account (HCEA) \$500 carryover



Questions & answers for plan year 2019

1. What is the \$500 carryover?

A: Hennepin County's Health Care Expense Account includes the feature referred to as the \$500 Carryover. This added benefit allows you to carry forward 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 on or prior to March 31, 2019), so the risk of forfeiture is greatly reduced.

2. Do I sign up for the carryover?

A: No; there is no need to sign up. Carryover enrollment is automatic for eligible participants. Any eligible participants with balances remaining in their 2018 Health Care Expense Account 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 Health Care Expense Account greater than the \$500 maximum at the end of the 2019 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 2018 plan year. You are also eligible if you have either retired or left County service during 2018 **AND** have contributed your full 2018 election amount by continuing the Health Care Expense Account through COBRA on a post-tax basis. You are also eligible for the carryover if while out on an unpaid leave of absence, you have continued paying the Health Care Expense Account premiums on a post-tax basis so that your full 2018 election amount has been contributed by December 31, 2018.

4. What happens to the carried over amount (in 2019) if I terminate employment or retire?

A: Depends on whether or not you made a new election for 2019.

If you *did not* elect a Health Care Expense Account for 2019 but have carryover funds and terminate employment or retire in 2019:

- 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 a Health Care Expense Account for 2019, have carryover funds, and terminate employment or retire in 2019:

- Your participation in the account will end on your separation date, and 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 Health Care Expense Account through COBRA (provided your total reimbursement to-date do not exceed total contributions to-date) 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 plan. If you continue your Health Care Expense Account coverage on COBRA continuation through December 31, 2019, any remaining balance in your 2019 HCEA of \$500 or less will 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 the carryover option?

A: No. You are eligible to make a 2019 election up to the \$2,650 maximum. A 2019 election is not required in order to have the \$500 Carryover. If you do not make a 2019 election, are eligible to participate, and you have funds remaining from 2018, an account will be set up for you.

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

A: Correct. The amount that is carried over from 2018 is in addition to any 2019 election that you make for the 2019 plan year. For example, you can have a \$2,650 election for 2019 added to your carry over amount and have up to \$3,150 available to you for 2019 expenses.

7. Does it apply to the Dependent Care Assistance Account or the Adoption Assistance Program?

A: No. The \$500 carryover only applies to the Health Care Expense Account. The grace period still applies to the Dependent Care Assistance Account and the Adoption Assistance Account. In other words, if you have unused funds in either of these accounts at the end of 2018, you may incur eligible expenses between January 1, 2019 and March 15, 2019 and have them applied to any remaining balance from 2018. All eligible expenses still must be submitted by March 31, 2019.

8. How does the \$500 carryover work?

A: For those who are eligible to participate in the \$500 carryover, on January 1, 2019 up to \$500 of your remaining 2018 balance will be moved to the 2019 plan year account. NOTE: During the run out period (until March 31, 2019), this amount (the carry over amount) is available to reimburse either expenses incurred in 2018 or expenses incurred 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 and must be submitted by the run-out deadline of March 31, 2019.

When a 2018 claim is submitted during the run out period, you will be paid out of any funds remaining from the 2018 plan year account. Once the amount from 2018 has been depleted, no additional 2018 expenses can be reimbursed.

For example: You have \$600 remaining in your 2018 plan year account. 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 in the amount of \$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 plan year account.

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 an election for the 2019 plan year. 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 plan year account and made an election of \$500 for the 2019 plan year. On March 17, 2019, you submit a claim for \$100 for 2019 dates 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 plan year account and did not make an election for the 2019 plan year. On March 17, 2019, you submit a claim for \$100 for 2019 dates 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 March 31, 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 (March 31, 2019), any funds remaining in your 2018 plan year account in excess of \$500 will be forfeited. Any amount remaining that is less than \$500 from the 2018 account 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 March 31 2019, you still have \$600 left from the 2018 plan year. \$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 plan year balance is greater than \$500, any funds remaining in the 2018 account over \$500 after the end of the run out period on March 31, 2019 will be forfeited.

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

A: Carried over funds can be used at any time during the 2019 plan year. Please see question #4.

11. Is the carryover amount cumulative from year to year? If I carry over \$500 into 2019, and don't use it, can I then carry over \$1000 into 2020?

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