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Correspondence Memorandum

Date: January 19, 2016
To: Group Insurance Board
From: Jessica Rossner, Employee Reimbursement Accounts Program Manager
Subject: Employee Reimbursement Account Program Plan Document Amendments

This memo is for informational purposes only. No Board action is required.

The Employee Reimbursement Accounts (ERA) Program is overseen by the Employee Trust Funds Board. The Group Insurance Board (Board) receives updates related to the ERA Program due to the program's direct relationship to the payment of member premium under the state health insurance program and the payment of services using health care flexible spending accounts. Health Savings Accounts (HSAs), required when members elect to participate in the High Deductible Health Plan (HDHP), are also of interest to the Board and are referenced in ERA Program plan documents.

This memo details recent changes to summary and plan documents for the accounts that are included in the ERA Program.

Background

The ERA Program is an optional benefit authorized under Section 125 of the Internal Revenue Code and Wis. Stats. §40.85-40.875. A Section 125 plan, also known as a cafeteria plan, allows an employee's health and life insurance premiums and deposits to reimbursement accounts (also known as flexible spending accounts) to be made with pre-tax dollars via paycheck deductions. The flexible spending accounts include the Health Care Flexible Spending Account (FSA), Limited Purpose Health Care Flexible Spending Account (LPFSA) and Dependent Day Care Account (DCA).

The Internal Revenue Service (IRS) requires plan sponsors to maintain plan documents for the FSA, LPFSA and DCA programs. The plan document describes the terms and conditions related to the administration and operation of the plan.

The overarching Plan Document (PD) is in legal language defining the terms of the ERA Program. The Summary Plan Description (SPD) is affiliated with the overarching PD, which provides detailed information on the ERA Program with language focus toward a participant audience. The SPD information is structured in a question and answer

Reviewed and approved by Lisa Ellinger, Director, Office of Strategic Health Policy

Electronically Signed 2/8/16

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format. The SPD is the primary way of communicating the basic features of the plan, how it operates and how participants can maximize the benefit.

Plan Document and SPD Key Changes

Health Care Flexible Spending Account

New Hire-Effective Date: Beginning January 1, 2016, the coverage effective date for a new hire will be effective on the first of the month that first occurs during the thirty day enrollment period. The current provision for new employee coverage begins the first of the month following receipt of the enrollment form by the Payroll/Benefits Office.

This change was proposed by the Department of Administration (DOA) initiative to consolidate information technology systems, known as State Transforming Agency Resources (STAR). The change is uniform to the change made for health insurance effective dates for new hires.

Carryover Provision: The new IRS \$500 Carryover allowance provision was instituted for 2015. The plan provides for a carryover of up to \$500 of any remaining unused funds in the FSA or LPFSA as of the end of the plan year. Carryover funds will be transferred and available after a 90-day run-out period. Any unused funds over the \$500 carryover limit are forfeited.

Grace Period: IRS rules do not allow a health flexible spending account to have both the carryover feature and a grace period extension. Therefore, the plan documents have been amended to eliminate the grace period language and add the carryover option.

Third Party Administrator: The plan documents have been refreshed to reflect Total Administrative Services Corporation (TASC) as the new third party administrator of the ERA Plan.

Dependent Day Care Flexible Spending Account

New Debit Card for Dependent Day Care Expenses: In addition to the other options available to receive DCA reimbursements, a debit card option was new for 2015. The policies related to the debit card use have been added to the SPD.

Grace Period: To align with the FSA, the plan documents have been amended to eliminate the grace period option. This has been replaced with a 90 day run-out period.

Third Party Administrator: The plan documents have been refreshed to reflect TASC as the new third party administrator of the ERA Plan.

Transit and Parking Flexible Spending Account

Third Party Administrator: The plan documents have been refreshed to reflect TASC as the new third party administrator of the ERA Plan.

Health Savings Account and Limited Purpose Flexible Spending Account

New Health Savings Accounts: 2013 Wisconsin [Act 20](#) required the Group Insurance Board to offer an option of a High Deductible Health Plan (HDHP) paired with a Health Savings Account (HSA). HSAs are governed by a different section of the Internal Revenue Code, which does not require a plan document. However mention of the HSA has been incorporated into the Section 125 plan documents where appropriate.

New Limited Purpose Flexible Spending Account: LPFSAs are optional flexible spending accounts that can be paired with an HSA. LPFSAs can be used to reimburse participants for vision, dental or post-deductible eligible medical expenses. The plan documents now reflect the addition of this program.

Staff will be at the Board meeting to answer any questions.