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Correspondence Memorandum

Date: July 16, 2024

To: Group Insurance Board

From: Xiong Vang, Health Savings and Employee Reimbursement Accounts
 Program Manager
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Subject: Cafeteria Plan Updates

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

Background

On July 26, 2023, the Board granted the Department of Employee Trust Funds (ETF) the authority to automatically make annual updates to monetary limits defined by the Internal Revenue Service (IRS) for the Board's pre-tax savings account programs and the High Deductible Health Plan (HDHP).

The IRS can change the maximum monetary limits each year based on inflation adjustments, defined under Section 125 and Section 132 of the Internal Revenue Code (IRC). Plan sponsors set their own contribution and carryover limits at or below those IRS maximums. Adopting these limits allows members to save more by reducing their tax liability and paying for eligible medical, dental, and vision expenses, as well as commuter expenses. Plan sponsors set HDHP deductibles at or above IRS limits to keep plans qualified to offer with certain pre-tax savings accounts.

HDHP Minimum Deductibles

On May 9, 2024, the IRS released [Rev. Proc. 2024-25](#) and increased the HDHP minimum deductible amount to \$1,650 for individual coverage and \$3,300 for family coverage. In order to remain compliant, the Board's HDHP deductibles will increase for 2025.

Table 1: 2024-2025 HDHP Minimum Deductibles

HDHP Coverage Level	2024	2025
Individual	\$1,600	\$1,650
Family	\$3,200	\$3,300

Reviewed and approved by Renee Walk, Director, Office of Strategic Health Policy
 Electronically Signed 07/25/2024

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GIB	08.14.24	13E

Health Savings Account (HSA) Annual Contribution Changes

IRS [Rev. Proc. 2024-25](#) also defines the annual adjustment to the HSA contribution limits for the 2025. The result is a \$150 and \$250 increase to the 2025 individual and family coverage HSA contribution limits, respectively.

ETF has adopted and revised the Section 125 Cafeteria Plan to increase the HSA limits to the amounts shown in Table 2 for 2025.

Table 2: 2024-2025 HSA Contribution Limits

HSA Coverage Level	2024	2025
Individual	\$4,150	\$4,300
Family	\$8,300	\$8,550

On June 6, 2024, the Department of Administration – Division of Personnel Management (DPM) released new HSA employer contributions for state employers ([DPM-0623-CC](#)). Members who are enrolled in the 2025 state HDHP and who are eligible for the full employer contribution towards health insurance can receive the HSA employer contributions seen in Table 3.

Table 3: 2024-2025 HSA Employer Contribution

HSA Coverage Level	2024	2025
Individual	\$750	\$828
Family	\$1,500	\$1,650

Flexible Spending Account (FSA) Annual Contribution and Carryover Limit Changes

On Nov. 9, 2023, the IRS released [Rev. Proc. 2023-34](#), which outlines the 2024 adjustments to the FSA annual contribution limit and carryover amount. ETF did not adopt these limits for 2024 because the notice was released after the 2024 open enrollment period (Sept. 20–Oct. 25, 2023).

Late adjustments to these limits would have required extensive changes for stakeholders and created an unbalanced administrative burden for employers. ETF notified employers that the adjustment would be adopted in 2025.

The FSA annual contribution limit increased from \$2,850 to \$3,200, and the maximum carryover limit increased from \$610 to \$640. The result is a \$150 increase in the FSA contribution limit and a \$30 increase in the carryover limit.

Table 4: 2024-2025 FSA Contribution Limits and Carryover

FSA Limits	2024	2025
FSA Contribution Limit	\$3,050	\$3,200
Carryover Limit	\$610	\$640

Commuter Benefits Monthly Contribution Changes

Similarly, the IRS released new commuter fringe benefits contribution limits defined in [Rev. Proc. 2023-34](#). For commuter benefits, the monthly contribution amount for transportation in a commuter highway vehicle and for any transit pass is \$315. The monthly contribution amount for parking is \$315.

Table 5: 2024-2025 Commuter Benefits Contribution Limits

Commuter Benefits	2024	2025
Parking Account	\$300	\$315
Transit Account	\$300	\$315

Section 125 Cafeteria Plan Document

ETF conducted a review to determine if the Board's Disease Management (DM) & Wellness program is considered a cafeteria plan under Section 125 of the IRC. This review determined that DM & Wellness program is not a cafeteria plan or required to be identified in the Section 125 Cafeteria Plan Document. However, it can be added to the appendix of the Section 125 Cafeteria Plan Document, like the pharmacy benefit program. Therefore, the DM & Wellness program has been added to the appendix for 2025 for consistency across the GHIP.

Conclusion

ETF and Optum Financial (Optum) have updated materials and communications regarding these changes for the 2025 open enrollment period. Optum will notify employers and members of these contribution limit changes between August and October of 2024. Plan documents have been revised to include updated contributions and carryover limits, and plan design changes effective for 2025.

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