

Date: March 29, 2021  
To: All Human Resources (HR) Offices  
From: Nicole Griffith, Chief  
Benefits Division  
Re: 2020 and 2021 Employee Relief Under the FlexElect Reimbursement  
Accounts Program

## Overview

The Consolidated Appropriations Act of 2021 (the Act) was signed by the President on December 28, 2020, which provided optional provisions for the California Department of Human Resources (CalHR) to consider implementing for the FlexElect Reimbursement Account program. The Internal Revenue Service (IRS) released their formal guidance on February 18, 2021. CalHR will be implementing the following provisions effective immediately.

- Grace Period Extensions – The grace period will be extended under the 2020 and 2021 plan years for both the Medical Reimbursement Accounts and Dependent Care Reimbursement Accounts until December 31 of the following year. This will allow employees to continue to incur expenses and utilize funds remaining in their accounts.
  - 2020 Grace Period – Extended to December 31, 2021
  - 2021 Grace Period – Extended to December 31, 2022
- Claims Filing Extensions – The claims filing deadlines will also be extended due to the grace period extensions. These deadlines will be extended to June 30 of the following year.
  - 2020 Claims Filing Deadline – Extended to June 30, 2022
  - 2021 Claims Filing Deadline – Extended to June 30, 2023
- Medical Reimbursement Account Eligibility Continuation for Mid-Year Cancellations – Employees who cancelled their Medical Reimbursement Account in 2020, or will cancel their Medical Reimbursement Accounts in 2021, will be eligible to incur expenses after their cancellation date and through the grace period. In no event will an employee be eligible for reimbursements exceeding the amount they contributed for the plan year. Dependent Care Reimbursement Account participants are already eligible to continue to incur expenses through the grace period. Please refer to Grace Period Extensions for applicable timelines.
- Carry Forward Rule for Dependent Care Reimbursement Accounts – For employees whose child turned 13 in 2020, or whose child has or will turn 13 in 2021, unused

balances at the end of 2020 can be used to reimburse expenses incurred before the later of the date the child turns 14 or the end of the 2021 plan year (December 31).

- Mid-Year Election Change – Medical Reimbursement Account and Dependent Care Reimbursement Account participants will be allowed to make a one-time prospective election change per account during the 2021 plan year without a permitting event. This has been added as Permitting Event Code 43.

### **Procedure for Election Changes**

Employees wishing to change or cancel their MRA and/or DCRA elections are to complete a [STD 701R – Reimbursement Account Enrollment Authorization](#) and submit to the department's personnel office.

Department's personnel offices must complete the Agency Use Only section of the form before submitting to the State Controller's Office (SCO) for processing. Please use the Employee Signature date as the Permitting Event Date in Section 11 and Permitting Event Code 43 in Section 12. An updated [FlexElect Program Permitting Event Codes/Dates Chart](#) is now available.

Please note the Effective Date of Action follows the rules for a Standard Permitting Event and is based on the received date by SCO. If received by the 10th of the month, the Effective Date of Action will be first of following month. If received after the 10th of the month, the Effective Date of Action will be first of the next following month. All effective dates must be prospective. IRS guidelines do not permit retroactive election changes.

The last effective date to enroll, change or cancel for the 2021 plan year is December 1, 2021. SCO must receive the employee's form no later than November 10, 2021.

### **COBRA**

While an employee may continue to incur expenses after experiencing a COBRA qualifying event under these new guidelines, COBRA rules still apply. Department's personnel offices must notify Medical Reimbursement Account participants of their COBRA continuation rights. For more information regarding COBRA, qualifying events, and procedures please visit the [CalHR website](#).

### **Employee Notification**

Department's personnel offices are requested to notify all employees regarding these changes to policy. CalHR has provided a sample memo for department's personnel offices to utilize.

### **General Information**

Department's personnel offices may direct any questions regarding this memo to [flexelect@calhr.ca.gov](mailto:flexelect@calhr.ca.gov).