

Leave of Absence Procedures for FSA

It's very common to take a leave of absence from work due to any number of reasons. Whether it's a paid leave or unpaid leave, this page will explain coverage information under a Flexible Spending Account (FSA) or Dependent Care FSA (DCFSA) during a leave of absence.

Note: If you are unsure whether these rules apply to your plan, please make sure you work with your employer to fully understand your company's procedures on leave and benefits. Your leave must be approved by your company.

If you are eligible to continue your plan, you will have to make your premium and/or contribution payment(s) for coverage to continue while you are on leave. IRS regulations allow three different ways to make your payments:

1. You can prepay your payments before you go on leave
2. Pay as you go throughout your leave
3. Catch-up options after your leave is over

If you do not make the required payments, your company may retroactively terminate FSA coverage to the last day you made a payment.

If your plan offers a grace period (a period of time after your plan year ends when you can still incur expenses and submit reimbursement claims for the prior plan year), you can take advantage of it if you paid all of your contributions through the end of your plan year and continue paying health plan premiums throughout the grace period. If you are not eligible to continue your health plan benefits throughout your leave, you can still maintain your grace period by paying premiums through COBRA. If you do not continue paying for health plan premiums through your employer or through COBRA, your grace period will end.

Note: Expenses incurred during the period for which coverage is retroactively terminated will not be covered.

Paid leave of absence

FSA contributions will automatically continue to be withdrawn from your paycheck if you are continuing to receive pay while you are on leave. Medical expenses incurred during your leave may be reimbursed with your FSA.

If you have a DCFSA during a paid leave, contributions will continue to be withdrawn from your paycheck, however dependent care expenses you incur during the leave will not be eligible for reimbursement due to IRS



rules. Claims should not be submitted for reimbursement for dependent care expenses incurred during your leave.

Unpaid leave of absence

If you are taking an unpaid leave of absence, the rules are a little bit different.

DCFSA

DCFSA contributions will stop during an unpaid leave. Likewise, expenses incurred during an unpaid leave will not be eligible for reimbursement. You can reinstate your DCFSA contributions when you return from an unpaid leave.

FSA

At the beginning of your unpaid leave, if you do not elect to continue your FSA, you will not be able to submit medical expenses incurred during the leave for reimbursement.

Rules regarding specific types of unpaid leave are as follows:

FMLA Leave

If you are taking FMLA leave, you may choose to continue or discontinue your FSA coverage. Your employer may require that you notify your benefits department of your decision.

- If you cancel your FSA coverage, it will be reinstated when you return from leave. You may choose to either reinstate the same pay-period contributions or increase your pay period contributions for the rest of the plan year to make up for the contribution missed during your leave.

Note: Your contribution election for the plan year will remain the same. If you choose to increase your pay period contributions to make up for the contributions you miss during your leave, expenses you incur during the leave will not be eligible for reimbursement. Medical expenses incurred during the leave will be eligible for reimbursement only if you have elected to continue your FSA in advance of your leave.

Military Leave

If you go on a qualifying military leave of absence as defined by the Uniformed Services Employment and Reemployment Rights Act of 1994 (“USERRA”), you may continue your group health plan and FSA coverage for up to 24 months during the military leave to the extent required by USERRA. Contact your company’s human resources department for more information.

Other types of leave

You must contact your plan administrator for details. If your FSA coverage ends because of your leave, you may elect to continue your coverage through COBRA. If you do not wish to contribute your coverage through COBRA, your FSA will end as well.



Open enrollment during the leave

If your leave of absence is at the same time as open enrollment and you're continuing with your plan while you're on leave, you should still make your elections as though you're an active employee.

Make sure you check with your employer to understand their policies for open enrollment. If you do not make a new election for your group health plan coverage during open enrollment, it's possible the election in effect for the prior plan year may continue, and you may not be eligible to participate in new benefits in the new plan year unless you experience an election change event. If you do experience such an event, you can make an election change within 30 days of the event.

Making election changes upon return from leave

You can only make election changes in the 30 days after an election change event. If your leave is caused by an election change event, you have 30 days from that point to submit an election change - not 30 days after returning from leave. You can only make an election change upon returning from leave if your return date falls within the 30-day window allowed after the election change event.

