

Benefits Officers Email: HCFSA Change & Open Season Extension

SUBJECT: Immediate Changes to FSAFEDS Program

There are two immediate changes to the FSAFEDS Flexible Spending Account Program:

-- Federal employees may now contribute up to \$4,000 to a Health Care FSA for 2004, which is an increase of \$1,000 over the previous maximum annual contribution.

-- The Open Season for enrolling in an FSA has been extended by one week to December 15, 2003.

Note: This increase in the maximum health care account balance from \$3,000 to \$4,000 was announced too late to correct references to the \$3,000 limit in the FSAFEDS web site. Thus, wherever \$3,000 appears you should read it as \$4,000.

The Office of Personnel Management (OPM) has made these changes in response to a recent ruling by the Internal Revenue Service that allows money in a Health Care FSA (HCFSA) to be used to pay for non-prescription, or over-the-counter, medicines. With the increase to \$4,000 of the maximum contribution to an HCFSA, federal employees can save even more on the cost of these medications and other eligible healthcare and medical expenses.

OPM extended the enrollment season for FSAFEDS to December 15 in order provide federal employees with enough time to learn of the contribution increase and to adjust their contributions accordingly. *However, OPM strongly encourages employees to make their elections by December 8, 2003 to ensure accurate deductions from the first paycheck in 2004, which most employees will receive during the first week of January. Employees who enroll or change their enrollment after December 8 run a risk that their payroll deductions may not occur or may be inaccurate until their second paycheck in January.*

Employees who have already enrolled in a Health Care FSA for 2004 may adjust the amount of their contributions if they wish to take advantage of this increased benefit. Employees can easily change their FSA contributions by clicking on "Enroll" at www.fsafeds.com or by calling 1-877-FSAFEDS (1-877-372-3337).

TTY: 1-800-952-0450

These changes do not affect FSAs opened in 2003, and the \$5,000 maximum annual contribution for a Dependent Care FSA is unchanged for 2004. The FEHB Open Season is not affected by these changes and will end on December 8 as previously announced.

We ask that Benefits Officers assist us in communicating these changes to their employees through any means possible. You may distribute this message electronically or in hard copy. Additional information is available at www.fsafeds.com or by calling 1-877-FSAFEDS (1-877-372-3337).