

Termination of Employment - FSA Guidelines

- Medical Reimbursement FSAs - A terminated employee is not eligible for reimbursement of claims for services that occurred after the separation from service. However, if the employee incurred expenses prior to the separation from service, those claims are eligible for reimbursement if they are deemed to be eligible expenses and the claims are submitted prior to the end of the Plan's run-out period, as defined in the Plan Document.
 - Medical FSA portion of Cafeteria Plan is a welfare benefit plan and subject to group health plan rules which include COBRA continuation coverage (if employer is subject to federal COBRA). Limited COBRA continuation must be offered to terminating participants in the Medical FSA portion of plan who have a positive cash balance at the time of termination for remainder of the plan year. Cash balance is determined by subtracting total claims paid from total employee contributions.
 - Dependent Care FSAs - If allowed by the provisions of the Plan Document, a terminated employee is entitled to be reimbursed for Dependent Care claims incurred at any time during the plan year in which they separate service, up to the amounts credited to their account. Simply stated, an employee can be reimbursed for qualified dependent care expenses during the plan year, even after termination, if they have a remaining balance in their account upon termination of employment. The remaining balance is defined as actual contributions made to the account minus any previously paid claims.
 - The employer may, but is not required to, take one contribution out of the employee's last paycheck.
 - The employer cannot request or accept participant's repayment of excess Medical FSA reimbursements.
 - If the participant dies during the plan year and has a positive balance, any eligible dependents can continue to submit valid medical claims for services prior to participant's death and should be offered COBRA through remainder of the plan year.
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