

Termination of Employment - FSA Guidelines

- Medical Reimbursement Flexible Spending Accounts (FSAs) - Terminated employees can't get reimbursed for services that occurred after they left. Employees can get reimbursed for expenses they incurred before leaving, as long as the expenses qualify and they submit claims before the plan's run-out period ends. Check your Plan Document for specific deadlines.
- The Medical FSA portion of a Cafeteria Plan (a benefits plan that lets employees choose from different benefit options) is a welfare benefit plan and subject to group health plan rules which include COBRA continuation coverage (if employer is subject to federal COBRA). If an employee has a cash balance remaining in their Flexible Spending Account (FSA) when they leave, you must offer COBRA continuation coverage for the rest of the plan year. The cash balance equals what the employee contributed minus what they've already claimed.
- 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. Employees can get reimbursed for dependent care expenses through the end of the plan year if they have money left in their account – even after they leave. The remaining balance equals what the employee contributed minus what they've already claimed.
- 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.