



STERLING  
ADMINISTRATION

# NICE TO MEET YOU

CAPABILITIES



# ABOUT US

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Founded in  
2004 by  
benefits  
industry leader,  
Cora Tellez



Based in  
Oakland, with a  
presence  
nationwide



**Service &  
compliance based  
company**



Robust online  
capabilities, online  
education, and free  
mobile app



High tech  
platform, with  
high touch  
service





# PRODUCTS & SERVICES

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- HSA
- FSA
- HRA
- COBRA
- COMPLIANCE
- POP
- Section 139
- FMLA

# CARES ACT & HSAs

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1

# WHAT IS THE HSA CONTRIBUTION DEADLINE?

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- As a follow-up to IRS Notice 2020-18, the IRS has confirmed that accountholders can make contributions to health savings accounts (HSAs) for the 2019 plan year up to the new tax filing deadline of July 15, 2020.
- Contributions to an HSA may be made at any time during the year or by the due date for filing that year's tax returns.
- This rule applies to the new federal income tax filing deadline for 2020, which the IRS extended in response to the COVID-19 crisis.

# DOES MY HSA COVER COVID-19 TESTING AND TREATMENT?

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- The IRS has issued Notice 2020-15 on March 11, 2020, which allows high-deductible health plans (HDHPs) to cover testing and treatment for COVID-19 without a deductible.
- In other words, coronavirus testing and treatment are considered qualified medical expenses under an HDHP, and people can use HSA funds to pay for it where and when needed. The carriers have suspended cost-sharing for testing of the COVID 19. They are also suspending cost sharing for treatment of COVID 19 until 5/31/2020
- Self-funded plans do not have to provide cost-share relief, although many are. As well, stop-loss policies require advanced notice for any covered benefit changes, so make sure to check that as well.



# DOES THE CARES ACT EXPAND THE LIST OF REIMBURSABLE EXPENSES THROUGH AN HSA?

(OVER-THE-COUNTER (OTC) DRUGS AND MENSTRUAL CARE PRODUCTS)

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- YES! The CARES Act states that consumers can purchase OTC drugs and medicines with funds from their health savings account (HSA), flexible spending accounts (FSA), or health reimbursement arrangement (HRA). Consumers may also receive reimbursement for OTC purchases through those accounts.
- The Act also includes menstrual products as a qualified medical expense, meaning consumers can pay or seek reimbursement for purchasing these products through an HSA, FSA, or HRA.
- This provision is effective for purchases and reimbursements of expenses incurred after December 31, 2019. It does not have an expiration date.

# IMPORTANT TO NOTE!

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- We expect merchants to start adopting changes for OTC items around April 15 and menstrual care products around May 15. However, merchants may take up to a month to complete the changes that will allow consumers to purchase these items with a card swipe.
- If consumers try to purchase these items with their benefits card before system updates are complete and the transaction is denied, they can submit a claim for reimbursement.



# WHAT HAS CHANGED REGARDING TELEHEALTH?

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### **Requirement before CARES ACT, no first dollar coverage rule**

- Under the prior IRS rules, a high deductible health plan that waives the deductible for any services other than preventive care services is not considered a *qualified* high deductible health plan. If that occurs, employees are unable to participate in, contribute, or receive employer contributions to a health savings account (HSA). This restriction is known as the “no first dollar coverage rule.”

### **After the CARES ACT**

[Section 3701](#) of the CARES Act creates a temporary safe harbor allowing high deductible health plans to cover telehealth services and other remote care without cost to plan members before the deductibles is met.

This is only temporary relief, and this safe harbor only applies for plan years beginning before January 1, 2022

## WHAT HAS CHANGED REGARDING TELEHEALTH?

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This provision is effective immediately and will expire  
December 31, 2021

# CARES ACT & FSAs

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# DOES THE CARES ACT EXPAND THE LIST OF REIMBURSABLE EXPENSES THROUGH AN FSA?

**(OVER-THE-COUNTER (OTC) DRUGS AND MENSTRUAL CARE PRODUCTS)**

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YES! The CARES Act states that consumers can purchase OTC drugs and medicines with funds from their health savings account (HSA), flexible spending accounts (FSA), or health reimbursement arrangement (HRA). Consumers may also receive reimbursement for OTC purchases through those accounts. The Act also includes menstrual products as a qualified medical expense, meaning consumers can pay or seek reimbursement for purchasing these products through an HSA, FSA, or HRA.

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- If consumers try to purchase these items with their benefits card before merchants have updated their systems and reject the transaction, they can submit a claim for reimbursement

## CAN DEPENDENT CARE FSA PARTICIPANTS WHO HAVE LOST PRESCHOOL AND CHILDCARE SERVICES DUE TO FACILITY CLOSURES REDUCE THEIR DCA ELECTIONS OR TERMINATE ALTOGETHER?

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Yes. Participants can reduce or terminate their dependent care account elections under these circumstances, as their childcare needs have changed. However, we advise accountholders to keep in mind that they may not need to change or revoke their plan elections, even if they are not incurring any new dependent care expenses. Accountholders may be able to claim their full plan year elections once the shelter-in-place orders cease, as childcare expenses can often reach the \$5,000 annual contribution limit within 2-5 months. Contact Sterling if you have any questions regarding dependent care account election modifications.



# FSA Changes!

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COVID is a qualifying event, 2020-29, you can now make a mid year election change, new election even if you declined initially, revoke existing elections, increase or decrease any elections on Health & DCA. for 2020, plans.



# FSA Changes!

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A decrease in annual election cannot be retro, meaning they can only reduce down their election to what they've contributed through payroll towards their annual election so far

or

reduce down to what they've already spent (whichever is more)



# FSA Changes Continued

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Notice 33, if your FSA plans end in 2020, or a grace period ending in 2020, any amount you gave up, it would still be carried over to 12/31/20

Rollover from \$500 to \$550, it is now index for inflation.

All require amendments to plan docs

**Anything in 2020 you get more time**





# COVID & POP

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With COVID 19 and section 125 plans, we are seeing some carriers allowing special enrollment periods in some states in response to the new legislation.

If this happens to your clients or your company, and they want to offer a special enrollment period to participants:

- Review POP documents to confirm the plan permits mid-year election changes tied to a special enrollment period.
- If not, amend your plan to include those mid-year election change opportunities, which are permitted under the Code.

# Where is the Employer in this?



So you are all thinking it right now, and want to ask, so I will let you know;

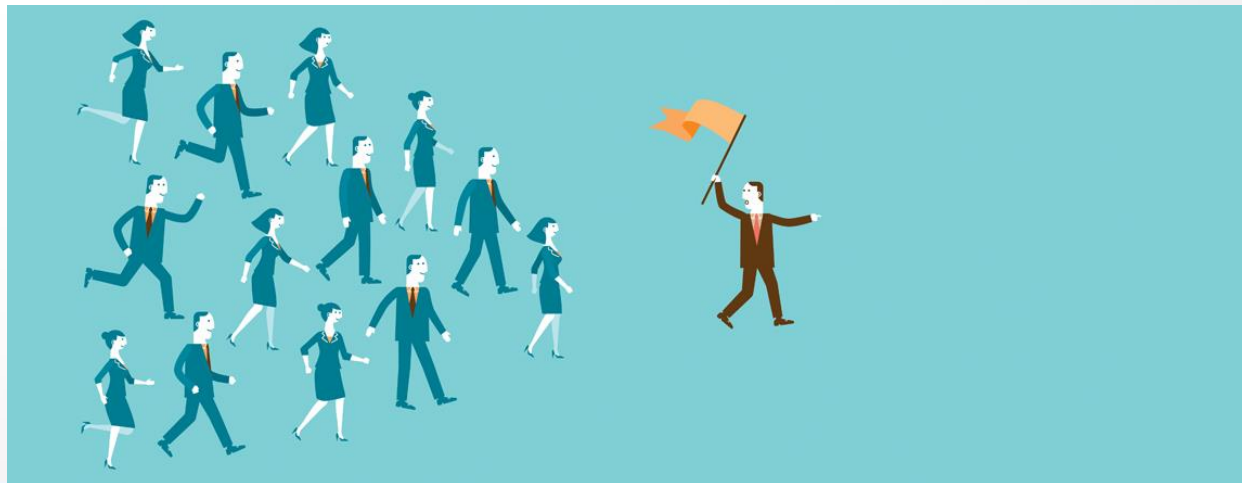
- Employers do not have to adopt these changes IRS 29 & 33, the IRS notice is clear there. If they want to, they will need to amend the plan document

# PLAN DOCUMENT IS KING

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With HRA, FSA & POP IN A TIME OF CHANGE  
PLAN DOCUMENTS ARE KING AND YOUR  
GUIDE



# CARES ACT & HRAs

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6

# DOES THE CARES ACT EXPAND THE LIST OF REIMBURSABLE EXPENSES THROUGH AN HRA?

(OVER-THE-COUNTER (OTC) DRUGS AND MENSTRUAL CARE PRODUCTS)

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**Maybe!** *It depends on how your employer's specific HRA plan set-up. Reimbursable expense rules under an HRA plan vary from employer to employer, so please check with your HR department and review your HRA plan documents.*





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COBRA

# Overview



- **The Consolidated Budget Reconciliation Act of 1985 (COBRA) requires employers provide former employees and dependents who lose group health coverage with the opportunity to continue group health insurance coverage for a limited amount of time**
- **Compliance with the complex rules regarding COBRA coverage can be difficult and mistakes can be costly to an employer**
- ***COBRA Notice Litigation: Cases Are Mushrooming And Settlements Are, Too***
- **Penalties for non compliance can include IRS excise taxes and ERISA statutory fines**

# Who Gets COBRA



- **One of the most fundamental COBRA issues is whether or not COBRA applies to an employer**
- **Employers with 20 or more employees including private sector employers and state and local government employers are subject to Federal COBRA**
- **Employers with fewer than 20 employees are exempt from Federal COBRA, in CA – Cal COBRA**



# Who Gets COBRA Continued



- **A QB can be:**
  - An employee
  - Spouse of an employee
  - Dependent children of employee
  - Retired employee
  - Spouse of retired employee
  - Dependent children of retired employee
  - Child born to or placed for adoption by employee

# Some Examples of Subject to COBRA

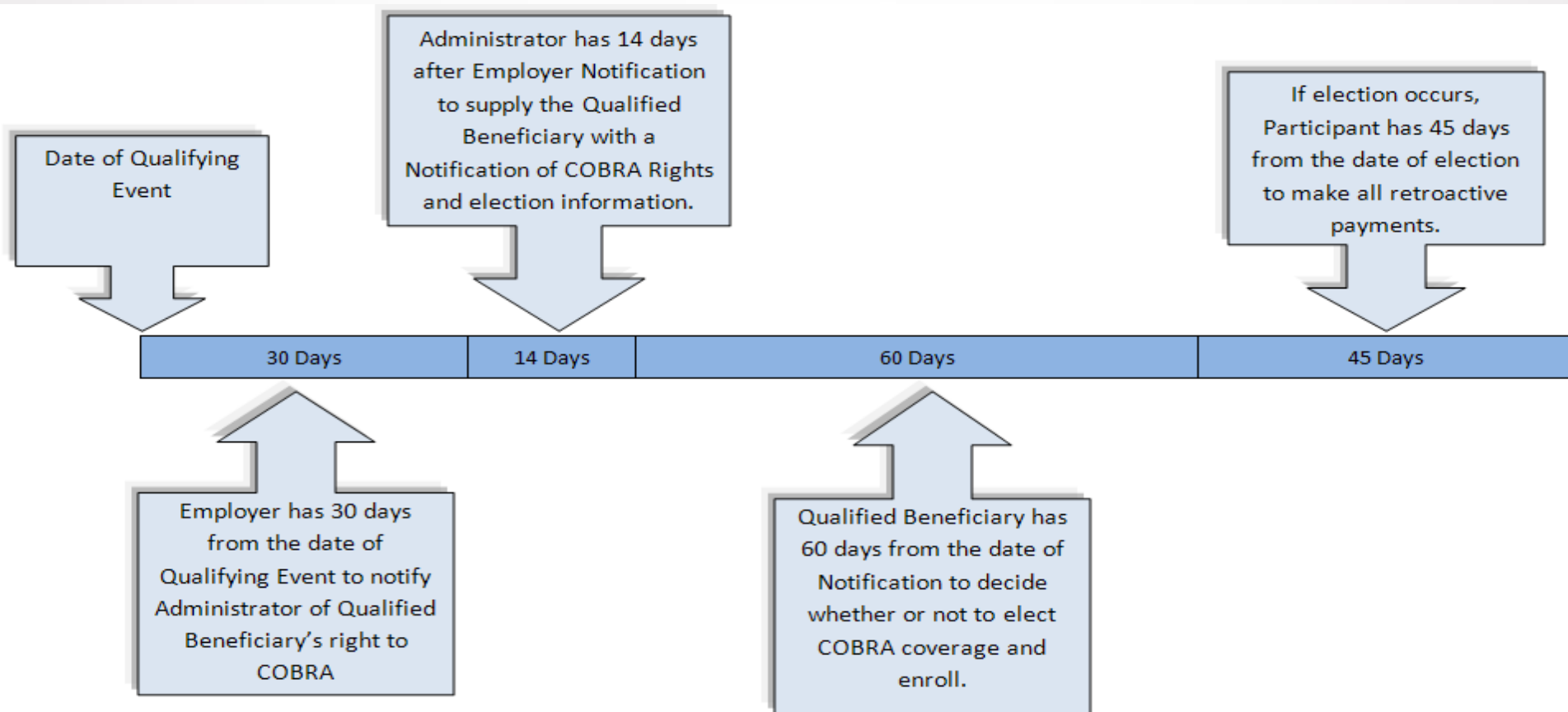


- **Examples of health plans that may be subject to COBRA include:**
  - Medical, dental and vision
  - Prescription drug plans
  - Drug and alcohol treatment plans
  - EAP or wellness plans providing medical care
  - On site healthcare
  - Self funded medical reimbursement plans
  - FSA and HRA plans

# WHAT IS COBRA?

## A Time Bounded Law

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# Furloughs, That Word Floating Around!

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## **Furloughs & Employers**

The employer must notify the TPA administrator of a qualifying event, meaning the employee is losing coverage because of;

“mandatory suspension from work without pay”

“temporary leave due to economic conditions”

The employer needs to communicate these events to their COBRA third party administrator so they can provide COBRA notices and the Qualified Beneficiaries must be allowed to elect COBRA.

# Furloughs, Stay or Go – Benefits



## **Employer & Time**

### **No COBRA**

Instances that the employer may subsidize the coverage up to a certain time. In that case, there may be no COBRA needed since it is temporary, and the employer can keep the employee on their active benefits.

### **COBRA**

There may be employers that can cut off the benefits of the employee on the same plan structure they have (like end of the month after the last day of work). Then we need to offer COBRA. Same COBRA rules, the QBs have 60 days to decide to enroll. It will be all up to the employer on what they want to provide to their employees. Some are gracious, some cannot afford to be gracious.



# Furloughs, Bottom Line

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If there are any employees losing coverage due to a furlough and there is no severance, COBRA must be offered to provide continuation of coverage to the Qualified Beneficiaries.



# COBRA & COVID



COBRA has extended. The key to focus on is the “Outbreak Period” which is from 3/1/2020 to 60 days **after** the end of the COVID is declared.

So example, it is declared done on 7/1/2020 the Outbreak Period will be 9/1/2020.

Plan administrators are still held to the 14-day deadline to furnish COBRA election notices.

## **What does it all mean?**

### **The COBRA election period.**

Employees and dependents who lose coverage due to a qualifying event pre COVID had 60 days to elect. In our current world, the 60 day clock doesn’t start until after the “Outbreak Period” ends.

# COBRA & COVID



What Does it All Mean Continued;  
The COBRA premium payment period.

COBRA enrollees normally have 45 days from their election to make the first payment.

Then monthly payments with a 30 day grace period which starts at the beginning of each coverage month.

Under COVID Initial premium payment is extended beyond the Outbreak Period

Grace period deadlines are extended beyond the Outbreak Period

# COBRA and COVID, It's Greek to Me, Quick Clean View



During the Outbreak Period,  
Premiums due are not delinquent if they are paid within 30 days of the end of the Outbreak Period. (Declared end of COVID)

So example

Premiums due for 5/1, 6/1 & 7/1 are not required to be paid until 30 days after the Outbreak Period ends. (This assumes Outbreak Period)

As you are probably thinking right now, this is going to get messy, and you are right it will

# IMPORTANT TO NOTE!

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The environment is moving fast!





# Jeff!!! What Else should I know?



- Section 139 Disaster Relief
- PPP repayment program calculation for your clients
- HSAs & 4 HRAs are coming

# What Do We See Coming



\$2 trillion relief, possible \$3 trillion coming we see leading to;

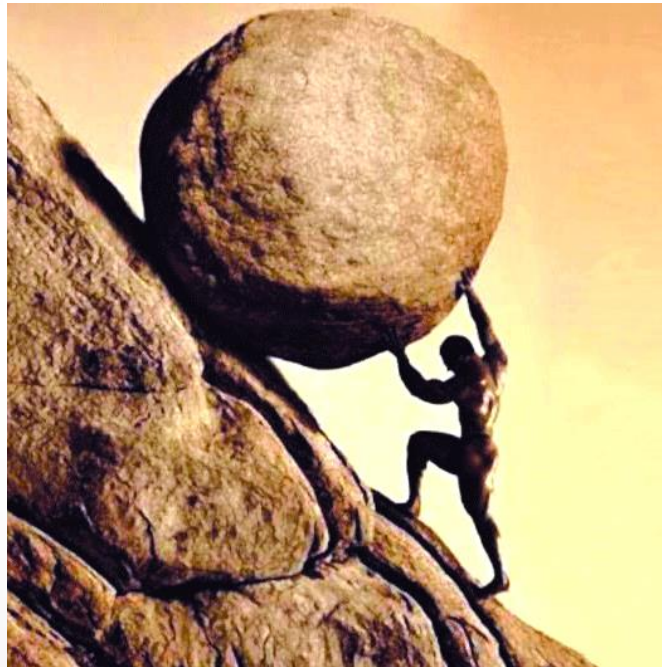
- Focus on ACA reporting and fines
- ERISA documents on the benefits side
- COBRA and not getting docs in time people being aggressive
- Pressure coming people being strapped, backed in a corner, will be more aggressive than normal

# “THIS TOO SHALL PASS”

MEDIEVAL PERSIAN SUFI POETS

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# EASE & EMPLOYEE NAVIGATOR

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We are on both platforms now! We started with our great COBRA product and building out our other products on these platforms as we speak!

As well we have a robust EDI team that can connect to anyone they just need the specifications.

We also have an oracle programmer, so lots of abilities in the realm of technology



# CONTACT INFORMATION

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