

MAJCOM FLEXIBLE SPENDING ACCOUNT (FSA) COORDINATORS:

Subject: The Federal FSA Program: 2004 Administrative Fees

Recently, Director James sought input from the Chief Human Capital Officer (CHCO) community on several important changes to the Federal FSA Program (FSAFEDS). We wanted to make sure that you were aware of the results of that input.

After carefully considering the feedback from agency CHCOs, Director James decided to:

increase the amount that participants could elect for a health care flexible spending account (HCFSA) from \$3,000 to \$4,000, and

extend the FSAFEDS open season an additional week, to allow Federal workers more time to consider whether and how much to elect of their hard-earned dollars.

In addition, with coverage for over-the-counter (OTC) medicines and products beginning on January 1, 2004, agency CHCOs agreed that an increase in fees is warranted. For the 2004 Plan Year, the fee for a HCFSA will be \$7.50 per participant per month. The Dependent Care Flexible Spending Account (DCFSA) fee remains the same, at 1.5% of the elected amount. The \$3.50 HCFSA increase is an estimate that accounts for the additional administrative costs and risk of overpayments associated with coverage of OTC medicines and products. This additional amount will be set aside in a reserve fund, and accounted for separately. It may be used only with OPM's approval, and will be adjusted - up or down - in future years based on actual experience.

P.L. 108-136, signed on November 24, 2003 requires all Executive Branch agencies as well as other employing entities of the Government which provide the FSAFEDS program to its employees to cover the administrative fee(s) on behalf of their employees. Our Office of Actuary performed an analysis that shows agencies will continue to accrue more in savings than they spend in fees. If you'd like more information on that analysis, or how many of your employees have enrolled in FSAFEDS for 2004, please send an email to FSA@opm.gov.