

**ADDENDUM to San Francisco Health Service System (“HSS”) Section 125  
Cafeteria Plan and HSS System Member Rules for Plan Year 2020  
May 28, 2020**

**Purpose:** To assist with the nation’s response to the 2019 Novel Coronavirus outbreak (“COVID-19”), the IRS has provided guidance under Notices 2020-29 and 2020-33 increasing flexibility with respect to mid-year elections under a Section 125 cafeteria plan during calendar year 2020 related to employer sponsored health coverage, health Flexible Spending Arrangements (health FSAs), and dependent care assistance programs. This Addendum modifies the HSS Section 125 Cafeteria Plan and Member Rules consistent with IRS Notices 2020-29 and 2020-33

**Revision of 2020 SFHSS Member Rules and Cafeteria Plan:** Based on guidance from IRS Notice 2020-29, employees and retirees who are eligible for SFHSS benefits can make the following mid-year elections changes once\* during calendar year 2020 without a qualifying event:

- (1) with respect to employer-sponsored health coverage (medical, dental and vision coverage):
  - (a) make a new election on a prospective basis, if the employee initially declined to elect employer-sponsored health coverage;
  - (b) revoke an existing election and make a new election to enroll in different health plan or coverage level sponsored by the same employer on a prospective basis; and
  - (c) revoke an existing election on a prospective basis provided, however, that the employee attests in writing that the employee is enrolled, or immediately will enroll, in other health coverage not sponsored by the employer;
- (2) revoke an election, make a new election, or decrease or increase an existing election applicable to a health FSA on a prospective basis; and
- (3) revoke an election, make a new election, or decrease or increase an existing election regarding a dependent care assistance program on a prospective basis.

**Revision of Carryover Provision for 2021 SFHSS Member Rules and Cafeteria Plan:**

Based on IRS Notice 2020-33, eligible HSS members are permitted to carryover unused amounts remaining in a health FSA as of the end of a plan year to pay, or reimburse, a participant for medical care expenses incurred during the following plan year, subject to the carryover limit of \$550 for 2021. [The carryover limit for 2020 is \$500].

\*An employer is not required to provide unlimited election changes but may, in its discretion, determine which election changes are permitted provided, however, that any permitted election changes are applied on a prospective basis only, and the changes to the plan's election requirements do not result in a failure to comply with the applicable Section 125 cafeteria plan nondiscrimination rules.

## **SFHSS Recommendation to the Health Service Board;**

SFHSS staff recommends that the Health Service Board commissioners approve this Addendum that modifies the 2020 HSS Section 125 Cafeteria Plan and Member Rules consistent with IRS Notices 2020-29 and 2020-33. This will allow employees and retirees who are eligible for SFHSS benefits to make mid-year health plan FSA election changes once during calendar year 2020 without a qualifying event.