
FEHB Program Carrier Letter

All Carriers

U.S. Office of Personnel Management
Insurance Services Programs

Letter No. 2006 - 29

Date: December 21, 2006

Fee-for-service [25] Experience-rated HMO [26] Community-rated HMO [24]

SUBJECT: The Tax Relief and Health Care Act of 2006

On December 20, 2006, President George W. Bush signed the Tax Relief and Health Care Act of 2006. The Act provides additional benefits for employees who enroll in a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA). Please review the enclosed Benefits Administration Letter (BAL), which provides guidance to agencies regarding the relevant provisions of the Act as well as guidance on allowing belated enrollments in HDHPs.

HSA contributions are limited only by the IRS maximums. The 2007 HSA maximum contribution limit is \$2,850 for single coverage or \$5,650 for family coverage. The maximum contribution limits under Federal Employees Health Benefits (FEHB) Program must reflect this change in the law not the maximum contribution limits that are listed in 2007 plan brochures. Please notify your HDHP enrollees of this change in the maximum contribution limits.

FEHB Program enrollees who choose HDHP coverage for 2007 may transfer the amount remaining in their Health Care Flexible Spending Account (HCFSA) under the FSAFEDS Program to an HSA. These enrollees are not eligible for an HSA in 2007 if they do not elect to roll-over any unspent FSA funds. In addition, FEHB Program HDHP enrollees with an HRA may make a one-time transfer of their HRA balance to an HSA if they are otherwise eligible to make HSA contributions for 2007.

For newly enrolling members in your HDHP for 2007, please ask if they have funds remaining in their 2006 HCFSA to transfer to their HSA and if they have signed up for a 2007 HCFSA that needs to be revoked or converted to a Limited Expense HCFSA (LEX HCFSA). Anyone enrolling in an HDHP during Open Season or now may also elect a LEX HCFSA. Enrollees should go to www.fsafeds.com for instructions. Enrollees who have elected or intend to belatedly elect an HDHP but who have made an open season election to have a 2007 HCFSA through the FSAFEDS Program must contact SHPS, the FSAFEDS administrator, to revoke or convert their 2007 HCFSA election on or before December 31, 2006, in order to be eligible for an HSA. SHPS will work with your fiduciary regarding any fund transfers from an HCFSA to an HSA.

Please contact your OPM contract specialist if you have questions regarding the BAL or this letter. Additional guidance may follow. Thank you for your continued cooperation.

Sincerely,

Robert F. Danbeck
Associate Director
for Human Resources Products and Services

Enclosure