The Tax Relief and Health Care Act of 2006

President George W. Bush signed the Tax Relief and Health Care Act of 2006 on December 20, 2006. The Act provides additional benefits for employees interested in a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA).

ALERT: EMPLOYEES WHO WANT TO CHANGE OR REVOKE THEIR 2007 HEALTH CARE FLEXIBLE SPENDING ACCOUNT (HCFSA) ELECTION MUST DO SO NO LATER THAN MIDNIGHT DECEMBER 31, 2006.

The following are new provisions which are immediately available to Federal employees who are eligible for high deductible health plans (HDHP) with health savings accounts.

- HSA contributions are no longer limited to the annual deductible of the HDHP; they are only limited by the annual maximum amounts established by the Internal Revenue Service (IRS). The 2007 maximum contribution limit is $2,850 for single or $5,650 for family. Individuals who are 55 or older may make an additional catch-up contribution of $800 for 2007. See http://www.ustreas.gov/offices/public-affairs/hsa/07IndexedAmounts.shtml

- Enrollees may fund a full year’s contribution to their HSA for partial year coverage as long as they remain enrolled in the HDHP for 12 months. Previously, enrollees could only fund their HSA for the portion of the year in which they were enrolled in an HDHP.

- FEHB enrollees in HDHP plans with a Health Reimbursement Arrangement (HRA), who are now eligible for an HSA, may make a one-time transfer of the balance in a Health Reimbursement Arrangement (HRA) to an HSA. Go to http://www.opm.gov/hsa/chart.asp to learn about the differences among an HSA, HRA, and HCFSA.

- Enrollment in an HCFSA in 2006 will not affect eligibility to enroll in an HDHP and have an HSA in 2007, if the balance in the HCFSA is zero on December 31, 2006, or if the balance in the HCFSA is transferred to the HSA.

OPM Guidance to Agencies and FEHB Program Carriers

- Agencies may accept belated FEHB open season enrollments in an HDHP with an HSA through December 31, 2006, for employees who are otherwise eligible for an HSA. Contact your agency Human Resources office for instructions.

- SHPS, the FSAFEDS administrator, will allow FSAFEDS enrollees to revoke their HCFSA or change their HCFSA to a Limited Expense HCFSA (LEX HCFSA) for 2007, so that they may enroll in an HDHP with an HSA. Anyone enrolling in an HDHP may also elect a LEX HCFSA. Enrollees should go to www.f safeds.com for instructions. THIS CHANGE MUST BE MADE ON OR BEFORE DECEMBER 31, 2006.

- Current FEHB Program HDHP enrollees with an HRA may make a one-time transfer of the HRA balance to an HSA if they are otherwise eligible for an HSA in 2007.

- FEHB Program enrollees who choose HDHP coverage for 2007 may make a one-time balance transfer from a 2006 HCFSA to an HSA. Anyone who enrolls now or enrolled in
an HDHP during Open Season will have to transfer any remaining HCFSA funds to be eligible to have an HSA.

- For FSAFEDS enrollees wishing to make such a transfer, there may be a small processing fee for the transfer. FSAFEDS will notify participants regarding any fee. The transfer will be made after the payment is received.