Subject: Announcing New Third-Party Administrator and Billing Requirements for The Flexible Spending Account Program (FSAFEDS) Effective January 1, 2021

Purpose

The U.S. Office of Personnel Management (OPM) has selected Health Equity to administer the Federal Flexible Spending Account Program (FSAFEDS). The effective date of the contract was July 1, 2020. Transition activities are complete, and Health Equity assumed full administration of FSAFEDS on January 1, 2021. Also, effective January 1, 2021, the FSAFEDS billing process will change to a task order process. This is further detailed in the Invoice Process Change section, below.

Background

Section 1127 of the National Defense Authorization Act for 2004 (P.L. 108-136) requires agencies to pay fees associated with their employees’ participation in FSAFEDS. OPM has set forth new billing requirements, effective with the 2021 plan year, as part of the new Multiple Agency Contract established for FSAFEDS. In addition, there will be a new bank account to which administrative fee payments must be sent. There is no change to the risk reserve invoice portion, which will continue to detail the Intra-Governmental Payment and Collection (IPAC) parameters to pay the invoice to OPM. The contractor will continue to bill individual agencies separately. For 2021, the risk reserve fee is $0.25 per HCFSA per month.

The agency fees associated with this contract will change yearly. The agency payment will be calculated based on a per-participating-employee-per-month basis for a Health Care Flexible Spending Account (HCFSAs), Limited Expense HCFSA (LEX HCFSA) and Dependent Care Flexible Spending Account (DCFSAs). Accordingly, the yearly fees for each account type, are:

2021: $2.65
2022: $2.73
2023: $2.82
2024: $2.90

Historically, OPM buys down these fees for participating agencies, which means that the agency’s FSAFEDS invoice may include a discount OPM uses to lower these fees. See the footnote on page 4 of the attached FSAFEDS MAC Ordering Guide, for an explanation of buydown.
Risk Reserve Fee

In addition to the agency fee, there is a risk reserve fee placed in the Risk Reserve Fund, held in a Treasury account, to help cover the risk of overpayments associated with HCFSAs and LEX HCFSAs as well as to pay BENEFEDS for the payroll processing functions associated with FSAFEDS. This fee is also used for OPM’s administration of the program and may change from year to year. Agencies pay the reserve account fee to OPM on behalf of their employees enrolled in FSAFEDS. For 2021, the risk reserve fee is $0.25 per HCFSA per month.

Invoice Process Change

While agencies will continue to be directly invoiced for the FSAFEDS administrative fee, as well as the OPM risk reserve fee, there are key changes to the process. Please see a summary of the changes below.

- The FSAFEDS contractor will notify agencies through a “Task Order Request” in early Q1 of the plan year. This request will include account totals, rate (including any discount OPM determines) and total cost for the administrative and risk reserve fees. Detailed employee reports will be provided along with the Task Order Request. Based on the Task Order Request, agencies will execute task orders with the funding to cover the FSAFEDS administrative fee for the full calendar year of the program. The risk reserve fee portion does not require a task order and should not be included in the task order. Please see routing and account number information later in this letter for submission of risk reserve fees only.

- Agencies must submit a task order, to the FSAFEDS contractor, with a copy to OPM, that shows the obligation of funding for the administrative fee to cover the full year. Task orders should be directed to FSAFEDSBilling@healthequity.com and copy both InternetFSA@opm.gov and FSAFEDSTOTracking@opm.gov, using the subject line of “FSAFEDS Task Order.” Task orders are due within 30 days of receipt of the Task Order Request. Invoices cannot be sent until a task order is received, so timely submission is critical.

- When newly eligible employees enroll in one or more FSAFEDS accounts outside of open season, agencies will be required to increase funding to cover the additional participation accordingly and provide a modification to that task order reflecting the increase in cost. An updated Task Order Request will be provided in mid to late October by the FSAFEDS contractor, so the original task order can be modified by the agency with the required additional funding and provided to the FSAFEDS contractor and OPM, prior to the 2nd invoice being sent. The FSAFEDS contractor will conduct this catch-up billing through a separate invoice to the applicable agencies in January of each year. For 2024, the last year of the contract, this invoice will be sent in or before the last month of the contract.

- Billing will no longer occur in advance, but in arrears, which means there will be a different cadence. To meet this new requirement, the FSAFEDS contractor will submit quarterly invoices to each agency following the same process currently in place. The anticipated schedule for the task order and quarterly invoices is as follows:
  - February 2021: Initial Task Order Request distributed
March 2021: Agencies submit fully executed task orders
April 2021: Q1 2021 (January-March) quarterly invoice distributed
July 2021: Q2 2021 (April-June) quarterly invoice distributed
October 2021: Q3 2021 (July-September) quarterly invoice distributed
November 2021: Q3 2021 (October-November) Task Order Catch-up Request distributed
December 2021: Agencies submit fully executed Task Order Modifications (as applicable)
January 2022: Q4 2021 (October-December) quarterly and Catch-up invoices distributed

Task Order Request and Quarterly Invoice

Examples of the initial and catch-up Task Order Requests, quarterly invoice and catch-up invoice are attached to this BAL.

Administrative Fees Banking Account Change

Below is the new banking account for the administrative fees **effective 1/1/2021**.

- Bank: Wells Fargo, N.A.
- Routing: 121000248
- Account: 4122286842

For questions concerning this Benefits Administration Letter, please email FSAFEDSBilling@healthequity.com or FSA@opm.gov.

Thank you in advance for your prompt submission of the required task order(s). Please ensure that all fees are also paid promptly.

Sincerely,

Laurie E. Bodenheimer
Acting Director, Healthcare and Insurance
U.S. Office of Personnel Management

Attachments

Attachment 1: FSAFEDS MAC Ordering Guide
Attachment 2: FSAFEDS Sample Task Order
Attachment 3: FSAFEDS Sample Administrative Invoices
Attachment 4: FSAFEDS Administrative Costs