



## FREQUENTLY ASKED QUESTIONS

# Medical/Dental Expense Account (MDEA) and the Carryover



### 1. WHAT IS THE MDEA CARRYOVER?

The State of MN's MDEA and Limited MDEA (for dental and vision expenses only) include a Carryover feature. This added benefit allows eligible participants to carry over unreimbursed money from their 2021 account over to 2022. Participants must have contributed their full 2021 election amount in order to be eligible for the carryover. The money carried over can be used for expenses incurred in 2022 (or expenses incurred in 2021 if submitted for reimbursement on or prior to Monday, February 28, 2022), so the risk of forfeiture is greatly reduced.

Going into the 2022 plan year, the IRS allows the full remaining amount in the 2021 MDEA to carry over into a 2022 account for those who have fully funded their 2021 MDEA.

UPCOMING CHANGE: For the 2023 plan year, eligible participants may carry over up to \$570 (current maximum set by IRS) of unused funds from 2022 into 2023 as long as a new 2023 MDEA election is made and your full annual 2022 election has been contributed.

### 2. DO I SIGN UP FOR THE CARRYOVER?

No. Carryover enrollment is automatic for eligible participants. Eligible participants with a balance remaining in their 2021 MDEA as of January 1, 2022, will automatically have the remaining balance carried over to a 2022 account. For the 2023 plan year, the carryover will be limited to \$570 (current maximum set by IRS). Any amount remaining in your 2022 plan year MDEA greater than the \$570 maximum at the end of the 2022 plan year run out period will be forfeited.

### 3. AM I ELIGIBLE FOR THE CARRYOVER?

You are eligible for the carryover from 2021 into 2022 if you have contributed your full annual election for the 2021 plan year. These contributions can be made through payroll contributions or through COBRA contributions (on an after-tax basis), whichever is applicable to you.

Beginning for the 2022 plan year going into the 2023 plan year, a new election of at least the \$100 minimum will be required in order to qualify for the carryover. All 2022 plan year contributions must also be made to qualify for the carryover.

### 4. HOW DOES THE CARRYOVER WORK?

For those who are eligible for the Carryover, in January 2022 your remaining 2021 balance will be moved to a 2022 MDEA (due to moving to a new system, this will occur mid-month). A 2022 account will automatically be set up for you if you are eligible and did not make a new 2022 election. Carryover funds are added to any new election made, and both carryover funds and new elections have the same requirements in terms of eligible service dates, restrictions upon separation/retirement, and filing deadlines.

The carried over funds can be used towards either 2021 expenses, if submitted no later than the claims filing deadline of Monday, February 28, 2022, or for 2022 expenses. NOTE: Only the carried over amount is available to reimburse expenses incurred in 2021 during the run-out period (until Monday, February 28, 2022). 2022 funds may not be used for 2021 expenses. Once your 2021 funds are depleted, no additional 2021 expenses may be reimbursed. **Remember not to use your debit card in 2022 to pay for 2021 expenses.**

For those who are eligible for the Carryover going into the 2023 plan year, the carryover will be limited to the IRS allowed maximum (currently \$570). For those with a new 2023 MDEA election, any funds remaining in the 2022 account greater than \$570 will be forfeited after the 2022 claims filing deadline. For those without a new 2023 MDEA election, no carryover will occur. 2022 funds may only be used for 2022 expenses and must be submitted by the 2022 claims filing deadline of Tuesday, February 28, 2023.

Please see page 3 of this FAQ for examples of how the carryover works for both the 2022 and 2023 plan years.

### 5. DO I NEED TO MAKE A NEW ELECTION IN ORDER TO PARTICIPATE IN THIS?

For 2022, no. You are still eligible to make a 2022 election of up to \$2,850 (the 2022 maximum). However, a 2022 election is not required to be eligible for the Carryover. If you do not make a 2022 election, an account will be established if you are eligible and have funds remaining from 2021.

For 2023, yes. A new MDEA election of at least the \$100 minimum must be made to qualify for the carryover into the 2023 plan year. All 2022 contributions must also be made to qualify for the Carryover.



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### 6. WHAT HAPPENS TO THE CARRIED OVER AMOUNT IF I TERMINATE OR RETIRE?

This depends on whether you made a new election for 2022.

- If you did not elect a 2022 MDEA, but have carryover funds and leave state employment in 2022:
  - The amount you carried over may be available for reimbursement of eligible expenses through the end of the year in which you separate.
  - You must still adhere to reimbursement deadlines that apply to any given plan year.
- If you elected a 2022 MDEA, have carryover funds, and leave state employment in 2022:
  - Your participation in the MDEA will end on your separation date. Any expenses must be incurred by your separation or retirement date in order to be considered for reimbursement. The amount you carried over is treated the same as the new election and faces the risk of forfeiture if you do not have enough in expenses to submit against the funds contributed to your account.
  - You may elect to continue participation in the MDEA plan through COBRA continuation by making monthly contributions to the account on an after-tax basis. COBRA is available through the end of the plan year. This will extend the eligible dates of service of when expenses can be incurred and reimbursed through the MDEA.

### 7. CAN I STILL ELECT THE 2022 MAXIMUM AND HAVE MONEY CARRIED OVER FROM 2021?

Yes. The amount that is carried over from 2021 is in addition to any 2022 election you make. For example, you can have a \$2,850 election for 2022 added to your carryover amount and have up to \$5,500 available for 2022 expenses.

### 8. DOES IT APPLY TO THE DEPENDENT CARE EXPENSE ACCOUNT (DCEA)?

In most years, no. The Carryover only applies to the MDEA and Limited MDEA. However, for the 2021 in to 2022 plan year only, remaining balances in the DCEA may be carried over into a 2022 account and used towards 2022 expenses. This feature is not available going into 2023 and unused 2023 DCEA balances will be subject to forfeiture. Plan accordingly.

### 9. HOW MUCH CARRIES OVER TO THE NEW PLAN YEAR? WHAT IF I HAVE MORE REMAINING IN MY 2022 ACCOUNT THAN THAT?

Going into the 2022 plan year, the carryover is equal to your remaining unused funds as long as you have made all 2021 contributions.

Going into the 2023 plan year, the carryover will be limited to \$570 (current IRS allowable maximum) for eligible participants. If your 2022 MDEA balance is greater than \$570, any funds remaining in the 2022 MDEA over \$570 after the end of the run-out period ending on Tuesday, February 28, 2023 will be forfeited. All remaining 2022 funds will be forfeited after the filing deadline if a new 2023 election is not made.

### 10. IS THE CARRYOVER AMOUNT CUMULATIVE FROM YEAR TO YEAR? IF I CARRIED OVER FUNDS INTO 2022, AND DIDN'T USE THEM, CAN I THEN CARRY OVER MORE THAN \$570 INTO 2023?

No. \$570 is the current allowable maximum that can be carried over into the 2023 plan year. A new election of at least the \$100 minimum along with fully funding your 2022 MDEA is required to qualify for the carryover into 2023.

### 11. WHEN DO I NEED TO USE THE FUNDS THAT CARRY OVER?

Carried over funds can be used during the 2022 plan year as long as your MDEA is active. Please see question #4.

### 12. HOW DOES THE CARRYOVER WORK WITH HEALTH SAVINGS ACCOUNTS (HSA)?

There are special rules regarding accessing funds in an MDEA and contributing to an HSA during the same calendar year. Please contact BRI Participant Services for assistance if you (or your spouse or an eligible dependent) will be contributing to an HSA in 2022 and think you may have MDEA funds that can be carried over to 2022. Remember that if you, your spouse, or eligible dependent contribute to an HSA, you cannot contribute to a general purpose MDEA. You can only contribute to a limited purpose MDEA (limited to dental and vision reimbursement) without tax consequences.



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### CARRYOVER EXAMPLES

#### IMPORTANT NOTES:

- Going into the 2022 Plan Year, participants who have contributed their full 2021 election are eligible for the unused funds to carry over into a 2022 MDEA.
- Going into the 2023 Plan Year, you must elect a 2023 MDEA in order to have your 2022 balance carry into 2023 and have fully contributed your 2022 election amount. The carryover will be limited to the IRS allowed maximum (currently \$570). Any funds remaining in the 2022 MDEA greater than the \$570 will be forfeited at the end of the 2022 plan year run-out period (Tuesday, February 28, 2023).

#### EXAMPLE FOR THE 2021 PLAN YEAR INTO THE 2022 PLAN YEAR:

##### Example 1:

You have \$600 remaining in your 2021 plan year account on January 1, 2022. The full \$600 will carryover and be available to use during the run-out period towards either 2021 or 2022 dates of service up until the filing deadline of Monday, February 28, 2022. Any portion of the \$600 not reimbursed for 2021 expenses during the run-out period will then be available for 2022 expenses only.

When a 2021 claim is submitted during the run-out period, you will be paid out of any funds remaining from the 2021 MDEA. Once the balance from 2021 is exhausted, no additional 2021 expenses can be reimbursed.

#### EXAMPLES FOR THE 2022 PLAN YEAR INTO THE 2023 PLAN YEAR:

##### Example 2:

You have \$600 remaining in your 2022 MDEA. During the run-out period, \$570 of this amount could be used towards either 2022 or 2023 dates of service (2023 dates of service are eligible only if you elected a new MDEA for 2023) and \$30 can only be used towards 2022 dates of service. A reimbursement request is submitted for a date of service of December 15, 2022, for \$700. Since the remaining balance from 2022 was only \$600 total, \$600 of this claim will be processed and the rest of the claim cannot be reimbursed since there are no funds remaining. There will be no additional funds available to use towards 2022 claims since you have been reimbursed the full amount from the 2022 MDEA.

During the run-out period if you submit a 2023 claim, it will first be paid out of your 2023 election amount if you made a 2023 election. If you did not make a 2023 election, 2023 expenses will not be eligible for reimbursement, and any MDEA balance remaining from your 2022 election will be forfeited after the run-out period which ends Tuesday, February 28, 2023.

##### Example 3 (if a 2023 election is made):

You have \$200 remaining in your 2022 MDEA and made a 2023 MDEA election of \$500. On February 20, 2023, you submit a claim for \$100 for a 2023 date of service. The claim will be paid out of your 2023 election amount, reducing your 2023 available balance down to \$400. After the run-out period, if you have not submitted any other 2022 claims, the \$200 that was remaining from 2022 will be added to the available 2023 balance, giving you an available balance of \$600 to be used on 2023 dates of service.

$\$200$  (2022 balance) +  $\$400$  (2023 balance after  $\$100$  claim paid) =  $\$600$  available for 2023 expenses

If the 2023 claim you submitted is for an amount greater than your 2023 election, you will be paid out of the 2023 election amount first, and once that amount is depleted, you will be paid out of the funds that carried over from 2022. Once those funds are depleted, no additional claims from either 2022 or 2023 can be reimbursed.

##### Example 4 (if a 2023 election is NOT made):

You have \$200 remaining in your 2022 MDEA and did not make a 2023 MDEA election. On February 20, 2023, you submit a claim for \$100 for a 2022 date of service. The \$100 is paid out of the available 2022 plan year balance, reducing your available amount to \$100 that can be used towards other 2022 dates of service (for reimbursement submitted up until Tuesday, February 28, 2023). If no additional 2022 expenses are submitted, the \$100 balance will be forfeited. 2023 expenses are not eligible for reimbursement.

$\$200$  (2022 balance) +  $\$0$  (no 2023 election) -  $\$100$  (2022 claim paid) =  $\$100$  subject to forfeiture (no carryover)

**Remember:** At the end of the 2022 plan year run-out period (Tuesday, February 28, 2023), any funds remaining in your 2022 MDEA in excess of \$570 will be forfeited. Any amount remaining that is \$570 or less in the 2022 MDEA can be carried over from 2022 and used only for eligible expenses with dates of service in 2023, as long as a 2023 election is made, and all contributions were made towards your 2022 election amount.