



*Benefits Administration Letter*

**Number:** 08-801

**Date:** January 17, 2008

**Subject: The Federal Flexible Spending Account Program (FSAFEDS):  
2008 Administrative Fees**

---

Welcome to a new FSAFEDS Benefit Period!

### **Background**

Since the FSAFEDS program began in 2003, we've implemented many positive changes:

- Increased the maximum contribution for a Health Care Flexible Spending Account (HCFSA) twice, from \$3,000 in 2003 to its current maximum of \$5,000.
- Improved claims processing time dramatically, with more than 99 percent of claims paid within 5 business days.
- Implemented the grace period, allowing enrollees an extra 2 ½ months to use the money in their accounts.
- Allowed reimbursement for eligible over-the-counter products.
- Partnered with many FEHB plans for paperless reimbursement to automatically reimburse enrollees' eligible health care expenses.
- Offered a Limited Expense Health Care Flexible Spending Account (LEX HCFSA) for those enrolled in high deductible health plans with health savings accounts.
- Added one of the Federal Employees Dental and Vision Insurance Program (FEDVIP) carriers to the paperless reimbursement program.
- Improved administration, by sending frequent files to payroll providers for quicker validation, allowing most employees to use their accounts from the first day of the new year instead of waiting until their first payroll allotment.

FSAFEDS participation has increased by 9 percent for 2008, with the number of dependent care accounts increasing by 14 percent. The current 2008 enrollment is 246,435 employees.

## **2008 Administrative Fees**

For the first time since the program began, we are increasing the administrative fees agencies pay on behalf of their enrolled employees. As outlined in [BAL 03-804](#), the contractor's administrative fees were negotiated at the start of the program at \$4.00 per month for each health care account and 1.5 percent of the annual election amount for each dependent care account. These fees have not changed in five years.

For 2008, the administrative fee for health care accounts is now \$4.35 per month, and the fee for dependent care accounts remains at 1.5% of the annual election amount per account.

## **2008 Reserve Account Fees**

In 2004, we added a monthly reserve fee of \$3.50 per health care participant (see [BAL 04-801](#)). This additional fee is now held at the Treasury and may only be used with approval from the Office of Personnel Management.

For 2008, the monthly reserve fee is \$4.50 per health care participant.

## **Payment of Fees**

New procedures for paying the FSAFEDS administrative and reserve account fees became effective October 1, 2007 (see [BAL 07-307](#)). Unfortunately, several agencies are not yet using the new procedures. Please review the procedures and make sure you are using them.

SHPS, the third party administrator for FSAFEDS, will send out the first 2008 invoice package in February. Thank you in advance for your prompt payment.

Sincerely,

Kathleen M. McGettigan  
Deputy Associate Director  
Center for Retirement and Insurance Services