



Facts

ABC Company's Health FSA is a qualifying health FSA. John, an employee of ABC Company has elected \$2,400 of health FSA coverage funded by monthly salary reductions of \$100 (ABC Company contributes the remaining \$1,200). John divorces wife, Jane, and as a result, Jane loses coverage under the health FSA as of May 31, 2009. As of May 31, 2009, reimbursable claims totaling \$900 have been submitted (\$800 attributable to John and the \$100 attributable to Jane.)

General Method

- Step 1:** Determine eligible reimbursement amount
 $\$2,400 - \$900 = \$1,500$
- Step 2:** Determine eligible reimbursement amount
 $\$2,400 \div 12 \times 102\% = \204 monthly premium
 $\times 7$ months remaining = $\$1,428$
- Step 3:** Determine if account is overspent
 $\$1,500 > \$1,428$
Since the eligible reimbursement amount is **greater than** the maximum COBRA premium that may be paid by Jane for the remainder of the year, ABC Company is **obligated to offer** COBRA continuation coverage of health FSA to Jane.

(A) Eligible Reimbursement Amount Computed Separately*

- Step 1:** Determine eligible reimbursement amount
 $\$2,400 - \$100 = \$2,300$
- Step 2:** Determine maximum COBRA premium
 $\$2,400 \div 12 \times 102\% = \204 monthly premium
 $\times 7$ months remaining = $\$1,428$
- Step 3:** Determine if account is overspent
 $\$2,300 > \$1,428$
Since the eligible reimbursement amount is **greater than** the maximum COBRA premium that may be paid by Jane for the remainder of the year, ABC Company is **obligated to offer** COBRA continuation coverage of health FSA to Jane.

**Only reimbursements attributable to the qualified beneficiary are taken into account.*

(B) COBRA Premium Based on Number of Months Remaining

- Step 1:** Determine eligible reimbursement amount
 $\$2,400 - \$900 = \$1,500$
- Step 2:** Determine maximum COBRA premium
 $\$1,500 \div 7 \times 102\% = \218.57 monthly premium
 $\times 7$ months remaining = $\$1,529.99$
- Step 3:** Determine if account is overspent
 $\$1,500 < \$1,529.99$
Since the eligible reimbursement amount is **less than** the maximum COBRA premium that may be paid by Jane for the remainder of the year, ABC Company is **not obligated to offer** COBRA continuation coverage of health FSA to Jane.

Combining A & B Methods

- Step 1:** Determine eligible reimbursement amount
 $\$2,400 - \$100 = \$2,300$
- Step 2:** Determine maximum COBRA premium
 $\$2,300 \div 7 \times 102\% = \335.14 monthly premium
 $\times 7$ months remaining = $\$2,345.98$
- Step 3:** Determine if account is overspent
 $\$2,300 < \$2,345.98$
Since the eligible reimbursement amount is **less than** the maximum COBRA premium that may be paid by Jane for the remainder of the year, ABC Company is **not obligated** to offer COBRA continuation coverage of health FSA to Jane.