

Dear Valued Client:

The COVID-19 pandemic is creating entirely new challenges for employers and employees, including unexpected burdens, work requirements and changes in routine. As this situation evolves daily, we at Clarity are quickly implementing new products, processes and procedures to allow you to focus on the safety and stability of your employees and your business.

Below are some important and helpful updates to our plans:

Ability to Change Elections for Dependent Care Flexible Spending Accounts (DCA)

The COVID situation provides several possible reasons to allow an election change to a Clarity DCA. For example, the IRS allows an election change for:

- Reductions in hours
- Change in employment status
- FMLA leave
- Substantial change in employer benefits/cost
- Change of cost from the provider
- Change of provider resulting in change of cost

As an example, employees may increase their DCA election if their child's school is closed due to the COVID-19, and they are experiencing an increase in daycare expenses because they need to continue working. Or, they may decrease their election if they are working remotely and no longer need daycare.

In the unfortunate event that an employee is laid off or terminated and their DCA is terminated, they can still submit claims for expenses through the end of the plan year and have until the claim's submission deadline to submit them. They can get reimbursed only for the amount they have paid in.

For information on how to initiate a change in a DCA election, please contact your Clarity Customer Relationship Manager.

Ability to Change Elections for Flexible Spending Accounts (FSA)

The COVID situation provides several possible reasons to allow an election change to your Clarity FSA. For example, the IRS allows an election change for:

- Reductions in hours that causes loss in coverage
- Change in employment status
- FMLA leave
- Substantial change in employer benefits/cost

Please note: election changes cannot be made solely due to an increase in medical expenses because of COVID-19.

Employees can still submit claims for expenses up to the termination date of the FSA, and they have until the claim's submission deadline set by their employer to submit them.

For information on how to initiate a change in a FSA election, please contact your Clarity Customer Relationship Manager.

Health Savings Account (HSA) Updates and Options

HSA elections may be updated at any time, for any reason. Employees can also contribute directly to their HSA if a payroll deduction is not an option. This will be an above the line tax deduction when they file their 2020 taxes.

HSA Ready for Life Funding Acceleration: We offer a Ready for Life funding acceleration that can help fill an employee's financial gap with an instant, interest-free payroll advance. Whatever advance amount is needed (set by you, the employer) is automatically deducted from the employee's future paychecks in manageable amounts. These repayments are tax-free. For information on how to set up a Ready for Life Funding Acceleration, please contact your Clarity Customer Relationship Manager.

Income Tax Filing Extension: According to Notice 2020-17, any person with a federal income tax payment or a federal income tax return due April 15, 2020 is eligible for relief on their federal income tax return payment. For an affected taxpayer, the due date for filing federal income tax returns and making federal income tax payments due April 15, 2020 has been automatically postponed to July 15, 2020. This relief grants all HSA account holders the option to make contributions to their 2019 HSA at any time up until the new deadline of July 15, 2020.

Health Reimbursement Arrangement (HRA) Updates

If an employee is laid off or terminated and their HRA is terminated, they can still submit claims for expenses up to the termination date of the HRA, and they have until the claim's submission deadline (set by you, the employer) to submit them. If they go on COBRA for insurance, their HRA will continue with it.

Commuter Election Changes

According to IRS guidelines, employees can make changes to their SmartRide elections at any time. The only time this would not apply is if you, (the employer) have separate rules regarding transit/commuter elections.

Coming Soon: Emergency Funds Account

Clarity is working hard on an offering that, in accordance with Section 139, may allow tax-free contributions to employees and an employer tax deduction. This would enable employers to offer targeted financial support for employees in the form of a convenient, pre-funded debit card.

Unlike cash or gift cards, employers could control how the dollars can be spent, preserve unspent dollars and gain access to real-time insights into employee spending trends – with a turnkey program that doesn't add work for already-stretched internal resources.

We will provide more information on this program in the coming days and weeks.

Over-the-Counter Eligible Expenses

FSAs, HSAs and HRAs can now be used to purchase over 17,000 over-the-counter medical products, including those needed in quarantine and social distancing, and feminine hygiene products, without a prescription from a physician. This change occurred on March 27, 2020 as part of the *Coronavirus Aid, Relief, and Economic Security (CARES) Act* that Congress passed.

This change is effective immediately and retroactive to January 1, 2020; however many merchant systems will take time to update. We are currently advising clients that it could take 2-3 weeks for full implementation. Which means if an employee uses their Clarity Benefits Card to make an OTC purchase prior to systems being updated, they could be required to submit a manual claim to cover the expense.

We will alert you when full merchant adoption is complete.

Keep an Eye Out for More Updates

Our top priority is the health and safety of our team members, clients, participants, partners and communities. Because this situation evolves daily, please continue to check the [COVID-19 UPDATES](#) section of our website to stay informed on all our efforts to ensure we continue to provide you the vital services you need.

As always, thank you for giving us the opportunity to be your benefits provider. In these uncertain times we hope to provide you with Clarity you need.

Sincerely,
Bill Catuzzi, CEO



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