AMWINS BENEFITS | Small to Mid-Market

Mid-year Qualifying Events Cheat Sheet

Life doesn't always line up neatly with open enrollment. When a significant life event occurs, employees may be able to update their benefits outside of open enrollment (known as a **mid-year election change** or **qualifying event**). Two separate laws govern midyear changes:

Health Insurance Portability and Accountability Act (HIPAA)	Internal Revenue Code Section 125
Requires group health plans to offer special enrollment opportunities outside of regular enrollment periods in certain situations	Allows employers the option to design their cafeteria plans to permit midyear changes when the employee experiences a recognized event, the plan allows changes for that event and the change is consistent with the event

Compliance Tip: A cafeteria plan may be designed to permit mid-year election changes that correspond with HIPAA special enrollment events, allowing participants to pay for health coverage on a pre-tax basis. If the plan doesn't allow such changes, eligible employees must still be allowed to enroll, but premiums will be paid on an after-tax basis.

HIPAA Special Enrollment Rights

Event	Who Can Enroll	Deadline	Coverage Effective Date
Loss of eligibility for other health coverage *(due to events such as legal separation, divorce, cessation of dependent status, termination of employment, termination of employer contributions, or reduction in hours, among others)*	Employee and dependents losing coverage	30 days	No later than the first of the month after the plan receives the special enrollment request
Acquisition of a new spouse or dependent *(by marriage, birth, adoption or placement for adoption)*	Employee, new spouse, newly acquired dependent *(does not apply to other dependents, such as siblings of a newborn child)*	30 days	**Marriage:** First of the month after the plan receives the special enrollment request **Birth/Adoption:** Retroactive to the date of birth, adoption or placement for adoption
Loss of Medicaid or Children's Health Insurance Program (CHIP) eligibility	Employee or dependent who is eligible for, but not enrolled in, an employer plan and loses Medicaid/CHIP coverage due to ineligibility	60 days	No specific guidance, but it may be reasonable to begin coverage no later than the first of the month after the request is received
Eligibility for premium assistance subsidy under Medicaid or a state CHIP	Employee or dependent who is eligible for, but not enrolled in, an employer plan	60 days	No specific guidance, but it may be reasonable to begin coverage no later than the first of the month after the request is received

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IRS Section 125 Election Changes

Category	Events	Key Requirements	Applies To
Change in status	• Marriage, divorce, legal separation, annulment or death of spouse • Birth, death, adoption or placement for adoption • Dependent gains/loses eligibility for coverage (e.g., age, student status) • Change in employment status of employee, spouse or dependent • Change in residence of employee, spouse or dependent	There are no specific timing rules under IRS regulations for requesting a midyear election change, but the requested change must affect eligibility and must generally be consistent with the event.	All qualified benefits (including health FSAs)
Cost changes	• **Significant cost increase** — May switch or drop coverage • **Significant cost decrease** — May elect lower-cost option • **Insignificant cost change** — May result in automatic adjustment in employees' contributions *Note: The cost increase or decrease may be attributable to action by the employee (e.g., switching from full-time to part-time while remaining eligible for coverage) or by the employer (e.g., reducing the amount of employer contributions for a group of employees)*	IRS regulations provide little guidance as to when a cost change is insignificant or significant. Plan sponsors will need to make that determination based on all the facts and circumstances, including the dollar amount and percentage of the increase or decrease.	All qualified benefits, except health FSAs
Coverage changes	• Significant curtailment (not a full loss of coverage) • Complete loss of coverage • New or significantly improved benefit option added • Coverage change under another employer's plan • Loss of coverage under a plan sponsored by a government or educational institution (including CHIP)	An employee may switch to a similar option or drop coverage (if no similar option exists). An eligible employee may enroll when a new or improved option is added.	All qualified benefits, except health FSAs
Other laws/ court orders	• HIPAA special enrollment event • COBRA qualifying event • Qualified Medical Child Support Order (QMCSO) or court order for dependent coverage • Entitlement to or loss of Medicare/Medicaid • FMLA leave	Change must correspond with HIPAA special enrollment event. Retroactive coverage permitted for birth/adoption.	HIPAA events apply to group health plans and do not apply to health FSAs. COBRA, QMCSO, Medicare/Medicaid and FMLA apply to group health plans and health FSAs.
Affordable Care Act changes	• Enrollment in an Exchange plan • Reduction in hours below 30 per week	Change must correspond with the intended enrollment of the employee or one or more related individuals in Exchange coverage (or, for a reduction in hours, another plan that provides minimum essential coverage, with replacement coverage effective no later than the first day of the second month after existing coverage is revoked).	Group health plans providing minimum essential coverage (not FSAs)

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Some of the IRS' midyear election change events apply to all qualified benefits that can be offered under a cafeteria plan. However, other midyear election change events apply only to certain qualified benefits—for example, not all the IRS' midyear election change events apply to elections for health flexible spending accounts (FSAs).

> **Health Savings Account (HSA) Special Rule:** Employees may start, stop, increase or decrease their HSA elections at any time during the plan year, as long as the change is effective prospectively. Changes must be permitted at least monthly and upon loss of HSA eligibility.

Key Takeaways

When an employee reports a qualifying event, employers should keep the following in mind when administering midyear changes:

Adhere to enrollment deadlines. HIPAA special enrollment rights are time-sensitive (30 or 60 days from the qualifying event). Employers should apply these deadlines consistently across all employees, as accepting late enrollment requests on a case-by-case basis may create compliance risks.

Verify the change is consistent. Under Section 125, the requested election change must logically correspond with the event, so employers should confirm that the change is consistent with the event before processing it. Changes that do not correspond with the event (for example, dropping coverage after gaining a dependent) should not be permitted. As a best practice, many plan sponsors impose a reasonable deadline (e.g., typically 30 days from the event) in their plan documents to help ensure the consistency requirement is satisfied and to maintain proper plan administration.

Ensure the plan document supports the change. IRS-permitted changes are only available if the cafeteria plan document is designed to allow them. Employers should regularly review their plan documents to confirm that mid-year election changes are clearly defined and that day-to-day administrative practices align with plan terms.

Apply benefit-specific rules carefully. Health FSAs are subject to more restrictive midyear change rules than other cafeteria plan benefits. By contrast, HSA contribution elections may be changed at any time on a prospective basis. Employers should apply the correct rules for each benefit type and avoid treating all midyear election change requests the same.

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