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## CITY COUNCIL CONSIDERATION ITEM

### CITY OF FAIR OAKS RANCH, TEXAS

January 20, 2022

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AGENDA TOPIC: Consideration and possible action approving a Resolution adopting an amendment to the City's Flexible Benefit Plan Section 6.2(c) definition of "medical expenses" and authorizing the City Manager to sign applicable documents.

DATE: January 20, 2022

DEPARTMENTS: Human Resources & Communications & Finance

PRESENTED BY: Joanna Merrill, IPMA-SCP, Director of Human Resources & Communications  
Scott Huizenga, Assistant City Manager, Administrative Services

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#### **INTRODUCTION/BACKGROUND:**

The City of Fair Oaks Ranch offers its employees a Section 125 Flexible Benefit Plan through its health insurance provider, United Healthcare.

The Internal Revenue Service (IRS) issued Announcement 2021-7 (**Exhibit A**) on March 26, 2021 notifying participants in health flexible spending plans that purchases for certain personal protective equipment (PPE) for the purpose of preventing the spread of COVID-19 will be treated as amounts paid by medical care, under §213(d) of the Internal Revenue Code.

Additionally, the announcement states group health plans, including health flexible spending plans, under the terms of which expenses for COVID-19 PPE were previously not reimbursable has now been amended pursuant to the announcement to provide for reimbursements of expenses incurred for COVID-19 PPE on or after January 1, 2020.

Furthermore, the amendment adding PPE as a reimbursable expense can be retroactive if the plan has been operated consistent with its terms and the amendment is adopted no later than the last day of the first calendar year beginning after the end of the plan year in which the change is effective. Since the City's Health Flexible Spending Account has been in operation since October 1, 2020, and we are requesting the adopting of this amendment prior to December 31, 2022 our plan falls within these parameters and can therefore be retroactive.

The City's health services provider, United Healthcare, notified us on November 4, 2021 that they had amended our Section 125 Flexible Benefit Plan to reflect the addition of PPE as a reimbursable expense in response to IRS Announcement 2021-7. Accordingly, United Healthcare recommends the City of Fair Oaks Ranch adopt, by Resolution, an amendment to the Plan's Section 6.2(c) definition of "medical expenses" to include personal protective equipment.

#### **POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:**

- 1.) Fulfills United Healthcare's recommendation to formally adopt an amendment issued by the IRS in Announcement 2021-7 to the City's Benefit Plan.
- 2.) Adoption of this amendment will also allow participants in the City's Health Flexible Benefits Plan to submit reimbursements for PPE.

**LONG-TERM FINANCIAL & BUDGETARY IMPACT:**

There will be no impact on the budget.

**LEGAL ANALYSIS:**

None

**RECOMMENDATION/PROPOSED MOTION:**

I move to approve a Resolution adopting the provisions of the Internal Revenue Service Announcement 2021-7 and to authorize the City Manager to take all actions as deemed necessary to effectuate this Resolution.