Wespath
BENEFITS | INVESTMENTS

Center for Health

Understanding FSAs

Why Consider an FSA? Pretax Dollars Save You Money!

A flexible spending account (FSA) allows you to use *pretax* dollars to pay for eligible health-related expenses and dependent care expenses. FSA dollars are deducted from your salary on a pretax basis—so they are exempt from federal income tax, state income tax (in most states) and Social Security tax.

FSA funds can be set aside into two separate accounts:

- **Dependent care account (DCA)** for eligible day care expenses for dependent children age 12 and under, and for dependent adults who are incapable of self-care.
- **Medical reimbursement account (MRA**, also called a health care FSA) for eligible out-of-pocket health-related expenses *not covered by insurance*, such as co-payments, annual deductibles, dental expenses, including braces, prescription eyeglasses and contact lenses. With an MRA, you may submit for reimbursement certain eligible out-of-pocket medical, pharmacy, dental and vision expenses incurred during the plan year. You also may submit for reimbursement through the MRA certain expenses incurred by your spouse or dependent children (even for qualified expenses for qualified dependents not covered under the HealthFlex medical plan).[1]

Please note these details about the medical FSA:

- If you have a HealthFlex health reimbursement account (HRA) [through a consumer-driven health plan (CDHP), or with a preferred provider organization (PPO) plan if offered by your plan sponsor], your HRA will be coordinated with your medical FSA (if you elect the medical FSA) and your FSA dollars will be used first.
- If you have new contributions to a health savings account (HSA) through a **qualified high-deductible health plan (HDHP, i.e., H1500, H2000 or H3000)** for the plan year, you may also coordinate the HSA with a medical FSA—but it would be a *limited-use* medical FSA that can be used only for dental and vision expenses.[2] This restriction would also apply if you have a spouse making HSA contributions in the same plan year—and to any health reimbursement account (HRA) balance you may have.

"Use It or Lose It" Rule and Deadlines

You must use FSA money by specific deadlines—or you will lose it. *According to IRS rules, any FSA money not spent by the deadline and not eligible for carryover will be forfeited.* So estimate your FSA expenses carefully.

<table>
<tr><th>MRA—Rules and Deadlines</th><th>DCA—Rules and Deadlines</th></tr>
<tr><td>HealthFlex permits a participant to carry over up to $500 of his or her remaining balance to the subsequent plan year. This amount will be available for eligible expenses for the entire following plan year. The amount eligible to be carried over is the amount remaining unused as of the end of the plan year (i.e., December 31) after medical expenses have been reimbursed at the end of the plan's run-out period for the plan year (i.e. the following April 30)—up to a maximum $500.

The carryover can act as a safety-net from the "use it or lose it" requirement. You can still elect to set aside up to $2,650 (2018) each year for the MRA, even if you carry over $500 from the prior year.

• Carryover period for current plan year MRA elections: January 1 – December 31 of the following plan year
• Amount eligible to carry over: maximum $500 (or lesser amount, based on balance in your account as of December 31 of the current plan year)
• Deadline to submit claims for current plan year MRA: April 30 of the following plan year (for example, April 30, 2018 for 2017 claims)
• Deadline to submit claims for current plan year MRA carryover amount: April 30 of the year after the following plan year (for example, April 30, 2019 for carryover from 2017 plan year)

Important: Any unspent amount over $500 remaining in your MRA as of December 31 of the current plan year will be forfeited.</td><td>• Covers eligible expenses incurred January 1 – December 31 of the plan year
• Grace period after end of plan year: None
• Deadline to submit claims: April 30 of the following plan year</td></tr>
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(continued)

Note: HealthFlex Exchange is part of HealthFlex.

[1] *Refer to* IRS Publication 969 (Health Savings Accounts and Other Tax-Favored Health Plans) *for additional requirements regarding dependents. You can also refer to the Wespath document* Flexible Spending Accounts—Medical and Dependent Care Accounts *for more details (at **wespath.org**, log in to "**HealthFlex/WebMD**," select "HealthFlex Plan Benefits," and browse under "Reimbursement Accounts" in the Reference Center).*

[2] *Once the IRS-defined deductible has been met (for 2017: $1,300 individual/$2,600 family; for 2018: $1,350 individual/$2,700 family), you may contact WageWorks to have your MRA and/or HRA converted to a full-use account for medical and pharmacy expenses.*

Learn More About FSAs, HRAs and HSAs

Contact WageWorks at **1-877-924-3967** with questions about FSAs, HSAs and HRAs, or consult with a tax adviser. For more details about FSA rules and eligible expenses, go to **wespath.org** and log in to "**HealthFlex/WebMD**." Select "**HealthFlex Plan Benefits**," then "**Reimbursement Accounts**" in the **Reference Center**.

For Medical FSAs—Debit Cards

Debit cards ("WageWorks Visa® Healthcare Cards") are provided for HealthFlex medical FSAs. *If you have a HealthFlex HRA or HSA and also elect the medical FSA: One debit card will be used for all accounts (except dependent care)*. In most cases, you can use the debit card to pay for eligible expenses for the medical FSA, HRA and HSA—without filing paper claims.

Plan Ahead for FSA Expenses

If you're considering an FSA, carefully estimate your out-of-pocket expenses for eligible medical and dependent care expenses before you make FSA elections. Consumer education tools available through the HealthFlex/WebMD website can help you estimate your out-of-pocket medical costs. You also can use the ALEX Benefits Counselor consumer education tool to model cost scenarios and estimate your out-of-pocket expenses.

Some details to consider as you estimate your FSA amount for next year:

- **For medical FSA and HSA: Annual out-of-pocket limits apply to medical, behavioral health and pharmacy expenses combined.** Review your past and anticipated upcoming expenses to help estimate next year's MRA or HSA contributions. You'll have an opportunity to elect MRA and HSA contributions (HSA only for HDHP plans) during Annual Election in November. (You cannot contribute to an HRA.)
- **For dependent care FSA (DCA)**: Estimate your DCA expenses carefully. Any DCA funds not spent by December 31 will be forfeited. (You have until April 30 to submit claims.)
- **For HDHP plans: Annual deductible applies to medical, behavioral health and pharmacy expenses combined.** (Deductible must be satisfied before the HealthFlex Plan pays.)
- **Keep in mind the Internal Revenue Service (IRS) "use it or lose it" rule:** Pretax money in an FSA must be used by the applicable deadline, or you will lose any unspent funds. ($500 carryover for an MRA is permitted.)
- **If you retire or stop working during the year:** The FSA will only cover expenses incurred until the end of the month in which you retire or stop working.[3] Please estimate your FSA expenses accordingly. *You have only **90 days** following the date of retirement, termination or certain leaves of absence to submit a claim for FSA reimbursement of expenses incurred through the end of the month in which you stopped working.*

[3] However, if you terminate on the first day of the month, your FSA terminates on the last day of the preceding month (for example, if you terminate May 1, your FSA would end April 30).

***Disclaimer:** This document is provided as a general informational and educational service to HealthFlex participants. This document does not constitute legal, tax or consumer advice. Readers may wish to consult with a tax adviser, legal counsel or other professional adviser before acting on any information contained in this document. Wespath Benefits and Investments (Wespath) expressly disclaims all liability in respect to actions taken or not taken based on the contents of this document.*

Helpful Reminders

Elect FSAs Annually Online

FSA elections don't automatically carry over from one year to the next. If you want an FSA, you must make the election during Annual Election to receive the benefit.

Go to **wespath.org** and log in to "**HealthFlex/WebMD**" to begin.

DCA—$5,000 Annual Max

The maximum you may set aside each year into a DCA for eligible dependent care expenses is $5,000 (or $2,500 if you are married but filing taxes separately from your spouse). Minimum: $300.

MRA—$2,650 Annual Max

The maximum you may set aside each year into an MRA for eligible health expenses is $2,650 (2018). Minimum: $300.

OTC Medication Not FSA-Eligible

Over-the-counter (OTC) medications and supplies are not eligible for FSAs—except with a doctor's prescription.

Many Preventive Services Covered at 100%

An annual well visit (yearly checkup), age-appropriate immunizations and many preventive health services for women, men and children are covered at 100% with no deductible or co-payment.

Submitting Claims for Reimbursement (MRA and/or DCA)

All FSA claims incurred before applicable deadlines must be submitted by **April 30 of the following year**.

- If you retire, are terminated or stop working during the year: *Claims must be made within **90 days** following your last day of employment.*

HSA Restrictions

You may combine an HSA with an MRA and/or HRA—but the MRA/HRA is limited to dental and vision expenses until you meet the IRS-defined deductible.[2]

Find much more information about FSAs and other reimbursement accounts on the HealthFlex/WebMD website. Go to **wespath.org**, log in to "**HealthFlex/WebMD**" and browse under **Details and FAQs**.