Flexible Spending Account (FSA) FAQ

1 What is an FSA?

FSA stands for Flexible Spending Account. The two main types of FSAs are a Health FSA and a Dependent Care FSA. If your employer offers both, you can choose to enroll in just one of them, or in both. Money comes out of your pay and goes directly into the FSA.

2 What are the benefits of participating in an FSA?

1. You have more of your salary to spend and less to pay in taxes.
You employer doesn't deduct federal income tax, state (most states) income tax or FICA taxes on money that goes from your active employee pay into an FSA. For an employee who is paid over 26 pay periods a year, a $1,000 annual FSA election means that employee's pay will drop by about $28.08 each pay period, but $38.46 will go into the FSA. Annually that's about $730 more to spend!

2. With the Health FSA, you can easily budget for high cost medical, dental and vision expenses.
You get your full annual Health FSA election amount up front to spend, and you "pay it back" throughout the year each pay period with a tax free payroll deduction.

It's like an interest free loan!

If an employee elects $1,000 for the Health FSA, they will have $1,000 ready to spend on the first day of the plan year. Then they would "pay it back" with their payroll deductions over the course of the year.

3 How does money get from my pay into my FSA?

You decide how much you want to put into the FSA(s) you're enrolling in, up to the maximum allowed. Your employer divides the annual election total by the number of pay periods you'll have in the plan year. This increment comes out each pay period.

Example: If someone elects $1,000 and is paid 26 times per year, their per pay period deduction will be $38.46. (1000/26 = $38.46)

4 What can I spend my money on with an FSA?

For the Health FSA, eligible expenses include those that diagnose, treat, cure, or mitigate an injury, illness, or condition. Examples include:

- Copays, deductibles and co-insurance that you have to pay under medical, dental and vision plans
- Medical care that isn't covered under your medical plan (like acupuncture) or isn't covered in full (such as chiropractic visits over a certain number per year)
- Medically necessary dental care, including orthodontia
- Prescription glasses and sunglasses, contact lenses and solution, and vision-correction surgery
- Over-the-counter equipment and supplies like splints, bandages, and CPAP machines
- Over-the-counter drugs and medicine when prescribed by a doctor to treat a medical condition

The Dependent Care FSA is for care received for an eligible dependent when you (and your spouse if married) work or go to school full-time. The family member receiving care must be a dependent under the age of 13 or any tax dependent that is incapable of self-care who lives with you for at least half the year. (for example, a disabled teen or adult, or a parent who's a tax dependent and needs adult day care services). Examples of eligible settings include:

- Day care, including adult day care
- Preschool
- Before- and after-school programs
- Summer day camps
- Babysitters, nannies, au pairs

5 Can I spend my Health FSA money on just my expenses, or also my family members' expenses?

Health FSA funds can be spent on expenses incurred by you, your legally married spouse and your dependents up to age 26. Domestic partner and ex-spouse expenses are not eligible for this IRS regulated plan.

6 Do I have to be enrolled in my employer's medical plan? What about my dependents?

Neither your or your dependents need to be enrolled in your employer's medical plan. FSA enrollment is completely separate from enrollment in any other plan your employer offers.

7 Are there limits to how much I can elect to put in my FSA?

Yes, the IRS sets maximum election amounts each year for the Health FSA and for the Dependent Care FSA. Your employer then sets their own maximums (that can't exceed the federal maximums).

8 How do I figure out what to elect?

It's important to consider only expenses you know you'll have during the Plan Year. It's tempting to just guess an amount and then figure out later how you'll spend it. But with an FSA you want to make a careful election so you won't end up with unspent money in your FSA.

For a Health FSA, think of the expenses you always have each year (prescriptions, recurring doctor appointments, contact lens, counseling appointments, chiropractic visits). Next think about semi-annual expenses you have and whether this will be the year for them (such as prescription eye glasses and sunglasses.) Then about the non-regular expenses you know you will have (a planned inpatient or outpatient surgery, physical therapy, dental crowns or dentures, orthodontia) and finally think of things you've put off because you didn't have a way to fund the expense but now you will with your FSA (vision-correction surgery, Cpap machine, acupuncture, a dental implant). Our Eligible Expense List With Election Worksheet is a very helpful tool for planning your election amount. You can find it in the FSA Resources section of our website. Once you're thought of all the expenses and used the Election Worksheet, you should be able to make a good election and spend all your money by the end of the plan year.

You rarely need to project expenses for the Dependent Care FSA. The $5,000 federal election limit typically covers only a fraction of total dependent care costs. Just be mindful of your child's 13th birthday during the plan year, as expenses at age 13 and over are not covered.

9 Can I change my election during the year if I need more or less money?

Only in a few specific situations. The IRS allows an election change only for the following events, and the event has to correspond with the change you want to make. For example, if you add a dependent through marriage, birth or adoption, you can increase your election. You can decrease your election if you drop a dependent, such as through divorce. Here are the events that allow you to make a change:

- Change in legal marital status
- Change in number of dependents
- Change in employment status that affects your eligibility for the program
- Change in work schedule, which affects your eligibility for the program
- Dependent satisfies or ceases to satisfy eligibility requirements
- Judgment, decree or order pertaining to child or spouse

There are some additional events that allow you make a corresponding change in your Dependent Care FSA election:

- Increase or decrease in the fee charged by provider
- Change in provider resulting in an increased or decreased fee
- Change in the hours of care needed due to employment change
- Child reaching limiting age of 13 years old
- Child starting or stopping school that changes the number of hours for which care is needed

Note: Changes by a provider who is your relative are not considered a permissible status change.

10 When can I access my funds?

You can spend your full Health FSA election on the very first day your enrollment is effective. You can spend your Dependent Care FSA funds only as they accumulate in your account through payroll deduction.

11 What is substantiation?

Essentially a detailed receipt or an Explanation of Benefits (EOB/Claim Activity Statement from an insurance carrier). Because FSAs elections reduce your taxable income, the IRS requires that we make sure you spend your FSA funds on eligible expenses only. To confirm that an item is eligible, there are some things we have to know and these are almost always found on detailed receipts or EOBs.

The information we need to see is:

- Provider
- Date of Service
- Patient
- Expense
- Your out-of-pocket cost

Note that we can't accept cancelled check, "balance forward" invoices or credit card receipts as they don't provide the information we need.

12 Do I always need to submit a receipt or EOB when I file a claim for reimbursement?

Yes. The only exception is if it is a recurring expense that you have previously submitted approved substantiation for and informed us the expense will be recurring (meaning the dollar amount and the provider are an exact match.)

13 Do I need to submit a receipt or EOB after every debit-card purchase?

No. We always try first to find the information we need through other methods approved by the IRS. You only need to provide us the detailed receipt or EOB when we request it from you. We will send you a notice and we'll also post the request in the Tasks area of your online portal and in the mobile app.

These are the methods we use first:

- Copay matching: If your employer has set this up with us, whenever a debit card transaction is equal to a copay (or multiple of a copay) on your employer's health plans, we won't need to ask you for information.

- Recurring expenses: If you respond to our request for substantiation for, say, a chiropractic visit, and indicate that you visit the chiropractor regularly for that service, we won't need to ask you for information again for the rest of the plan year as long as that provider name and dollar amount match.

- Prescription and over-the-counter equipment and supplies: Most merchants code their inventory so that prescriptions and items like bandages, crutches, splints, ice packs, first aid kits, sunblock, and other qualified equipment and supplies are FSA approved at the time of purchase. We'll see that approval on the debit card transaction and won't need to ask you for information.

The most common items for which we need to ask you for a detailed receipt or an EOB are dental and vision expenses and medical-plan deductibles and coinsurance.

14 How do I get my detailed receipt or EOB to you when you request it?

It's easy. The request you receive from us will have clear instructions for submitting it to us through the mobile app (it's the easiest way!), the online portal or by sending it to us via secure email, fax or mail

Be sure what you send us includes everything listed in the Answer to Question 9 above.

15 How do I purchase over-the-counter drugs and medicine with my Health FSA?

Although you don't need a prescription to buy these items, you will need one for them to be considered eligible. Ask you doctor for a prescription so you can use FSA funds. You then have two options:

1. See if your pharmacist will run it as a prescription for you. If so, your card will work.
2. Pay with your own funs and then submit a claim to Benefit Strategies, including the detailed receipt and the prescription, and we will reimburse you from your Health FSA.

16 How does the debit card work if I buy some qualified and some non-qualified items at the drug store?

You don't have to separate your items when you check out. Instead, just make sure to use your Benefit Strategies debit card first. Card technology will determine which times are eligible and charge them to the card. You'll then be left with a balance for non-eligible expense. You pay that balance with personal funds.

17 If I make elections to both a Health FSA and a Dependent Care FSA, can I move funds from one account to the other?

No, the IRS regulations don't allow this.

18 What happens if I don't spend all my money?

Because the IRS allows you have the money tax free, the regulations state that unspent funds can't be returned to you. However, there are many ways to avoid this happening. It starts with making a careful election, so please read question 8 above. Below are plan features that help make sure you spend all of your election.

- You will have time at the end of the plan year to get receipts and EOBs in for any expenses you incurred while you were enrolled during the plan year. This is called the Run Out Period. Employers set the length of the Run Out Period, but most common is 90-days. To find out the length of your employer's Run Out Period, please check your online account, the mobile app, or contact our Customer Service team.

- Below are two options the IRS allows an employer to add to their plans. Some employers don't have either of these options. To find out what your employer has for options, check your online account, the mobile app, or contact our Customer Service team.

    - The Grace Period option can be added by employers to the Health FSA and/or the Dependent Care FSA. This gives participants 2 1/2 months after the plan year ends to still use their money on new expenses. This extends a normal 12-month plan year to 14 1/2 months. For example: If your plan year ends December 31, you would have until about March 15 to still use any remaining funds on new expenses.

    - The $500 Carryover option can be added to the Health FSA only. An employer can't have the $500 Carryover and the Grace Period – they choose one or the other, or neither. With this option, any balance a participant has left at the end of the plan year that is $500 or less will rollover to the new plan year automatically. Rollover funds can be spent at any time during the new plan year.

Benefit Strategies gives you several ways to check your balance and important filing dates and deadlines:

- Online portal
- Mobile App
- Automated phone system reached by calling our toll-free number
- Chat, phone or email our Customer Service team

19 What happens if I leave employment during the year?

If your employment ends or your eligibility for the FSA ends during the Plan Year, you cease being eligible to use your Health FSA and/or Dependent Care FSA funds for new expenses as of midnight on the day of termination and your debit card will be inactivated. You will still be able to submit claims for eligible health care expenses incurred on or before your termination date through your runout period. In addition:

- Health FSA – If eligible, you will be offered to continue your Health FSA under your COBRA rights. If you elect to continue your Health FSA under COBRA, you will make direct after-tax payments to your employer or their COBRA administrator. Making payment under COBRA allows you to retain access to your funds for the remainder of the Plan Year (and Grace Period if applicable). You will not be eligible to enroll in the new FSA Plan Year.

- Dependent Care FSA – You will be able to submit claims through your runout period for services incurred prior to the termination date. If your employer has added the Dependent Care Spend Down option to the plan, you will be able to continue to use the funds that were in your Dependent Care FSA on your date of termination until they are exhausted or the Plan Year runout period ends. For you to use the funds you need to be actively working, actively seeking employment, or a full time student.

Have Questions?

We've got you covered.

Mon → Thurs: 8:00am – 6:00pm ET
Friday: 8:00am – 5:00pm ET

Toll Free: 888-401-3539
Language translation service available
(Automated system available at all times)

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