

# FSA: Stretching Health Care Dollars

## What Is a Flexible Spending Account (FSA)?

A flexible spending account (FSA) is a benefit your employer offers that can help you save on taxes while paying for medical, dental, vision, and prescription out of pocket expenses you incur. It is sometimes called a cafeteria plan, or health care or dependent-care reimbursement account.

During open enrollment you indicate how much of your pre-tax income to put in (up to the amount allowed by your plan). You then get that money back—without paying taxes on it—to pay for, or be reimbursed for, qualified expenses.

## Is an FSA Right for Me?

If you are interested in maximizing the health care dollars you spend, take advantage of the tax benefits of paying these costs from your FSA.

- ▶ A health care FSA is right for you if you or your family have fairly predictable out-of-pocket medical, dental, or vision expenses.
- ▶ A dependent-care FSA is right for you (and your spouse, if married) if you regularly pay for day care, preschool, or other child, elder, or other dependent care.

## Whose Medical Expenses Can I Pay for Out of My FSA?

### Yours, Your Spouse's, and Your Dependents'

In addition to your own medical expenses, you can use your FSA to pay the medical expenses of your spouse and any family member claimed as a dependent on your tax return, even if they are not covered by your health plan.

## What Kinds of Expenses Can I Use My FSA For?

**You can use FSA funds to pay for qualified medical and dependent-care expenses as defined by the IRS.**

Medical care expenses must be primarily to alleviate or prevent a physical or mental defect or illness. This doesn't include items merely beneficial to general health, such as a vacation or vitamins and supplements (unless accompanied by a doctor's note stating they are a medical necessity).

For a health care FSA, deductibles, coinsurance amounts, co-pays, and other expenses described in *IRS Publication 502—Medical and Dental Expenses* are eligible or qualified expenses. See [www.irs.gov/publications/p502/index.html](http://www.irs.gov/publications/p502/index.html) for a current complete list. Premiums for health and other insurance aren't eligible.

For a dependent care FSA, expenses must be incurred for the care of eligible members of your family. See the complete list in *IRS Publication 503—Child and Dependent Care Expenses* at [www.irs.gov/publications/p503/index.html](http://www.irs.gov/publications/p503/index.html).

## How Does an FSA Work?

- 1.** During your employer's open enrollment (at the beginning of the plan year), you decide how much you want to contribute for the year—up to the plan's maximum. (Annual maximum contributions for dependent-care FSAs are set by the IRS; currently equal to your earned income [or your spouse's, if you earn more] up to \$5,000 per family or \$2,500 for a married person filing separately.)
- 2.** Your employer or payroll administrator sets aside the amount you choose to put in an FSA—usually as equal portions from each paycheck.
- 3.** When you have a qualified expense, you can either use a debit card provided by some plans and pay for expenses at the time you have them or submit expenses for reimbursement later. Save all receipts, you'll need them for reimbursements and possibly to prove to your employer or administrator that your expenses were qualified.

## Frequently Asked Questions

**Q: DOES THE MONEY IN MY FSA ROLL OVER FROM YEAR TO YEAR OR DO I LOSE IT AT THE END OF THE YEAR?**

**A:** Unused funds don't roll over. There may be a run-out period when you can continue to submit expenses incurred during the plan year. Any balance after that is forfeited to your employer. Some plans offer a grace period that lets you both continue incurring expenses and submitting reimbursements after the end of the plan year. After that, any unused balance for the previous year goes back to your employer.

**Q: WHAT IS THE MAXIMUM REIMBURSEMENT FROM A HEALTH AND/OR DEPENDENT CARE FSA?**

**A:** The entire health care FSA annual election amount is available on the first day you are eligible in the FSA plan.

The dependent care FSA balance accumulates throughout the year and is only available as funds are deposited.

Health and/or dependent care FSA balances are always reduced by any reimbursements made.

**Q: CAN I USE MY FSA FOR MY CHILDREN'S MEDICAL EXPENSES, CO-PAYS, AND DEDUCTIBLES?**

**A:** Yes. Your FSA can be used for the qualified medical expenses of any family member who qualifies as a dependent on your tax return.

**Q: CAN I ACCESS MY FSA ONLINE?**

**A:** Yes. You can see your account balance, claim transactions, request reimbursements, and manage your personal information by visiting [www.myhealthequity.com](http://www.myhealthequity.com) or your specific member portal.

**To enroll in a HealthEquity FSA, contact your benefits representative.**  
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