Benefits FAQ

Check out some of the most frequently asked questions about different benefit types including FSAs, HSAs, and HRAs.

Flexible Spending Accounts (FSAs)

What are FSAs?

A flexible spending account is an employer sponsored plan that allows employees to set aside funds from each paycheck pre-tax to contribute to an account that can be used for qualified out-of-pocket expenses.

What are the different types of FSAs?

There are two types of FSAs, healthcare FSAs and dependent care FSAs. Healthcare FSAs include the medical FSA, the limited medical FSA, and the combination FSA (or post-deductible FSA).

Who is eligible to enroll in and participate in a FSA?

For healthcare FSAs participants are not required to be enrolled in the employer's health care plan to be eligible for the FSA - they only need to be offered the group's health care plan.

For dependent care FSAs both participants (if applicable) must work, be looking for work or be full-time students.

Can both spouses have a healthcare FSA?

Each spouse can elect the yearly IRS maximum if their individual employer offers an FSA. A spouse cannot elect an FSA via their spouse's employer. So, for example, if Sally's employer offers an FSA, she can elect the full IRS maximum. If her spouse Harry also works for an employer that also offers an FSA (and that employer is separate from Sally's), then Harry can elect his own FSA for the full amount.

If Spouse 1 is participating in a medical FSA, can Spouse 2 contribute to a healthcare FSA?

This depends on the healthcare FSA. Per the IRS, an individual cannot be enrolled in more than one plan that covers 213(d) expenses at a given time.

So if an employee is enrolled in a medical FSA they cannot also be enrolled in a limited FSA, a combination FSA, or an HSA. They can be enrolled in a dependent care FSA if it is offered.

Section 213(d) of the Internal Revenue Code outlines what items participants can purchase with pre-tax dollars. Some examples include: ambulance services, coinsurance, copays, lab fees, medical deductibles, medical services, and prescription drugs.

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FSAs, are also known as "use-it-or-lose-it" plans. What does that mean?

All healthcare FSAs are prefunded plans. Meaning participants can use the entire election amount at the beginning of the year, even if they have not contributed the full amount through their payroll deductions.

Use-it-or-lose-it rule

FSAs are often called "Use-it-or-lose-it" plans. This is because if participants do not use the funds they have contributed by the end of the plan year, they forfeit the funds to the plan. A grace period or carryover may extend this, if applicable.

At-risk rule

On the other hand, if the employee uses their entire FSA contribution early in the year and then leaves the employer, the employee is not required to pay off the amount that had not yet been contributed.

What are the eligible expenses for FSAs?

Healthcare FSAs have eligible expenses such as medical, dental, vision, and preventative care, depending on the plan.

Dependent care FSAs have eligible expenses such as care for children ages 12 and younger claimed as qualifying dependents, and care for disabled spouse or dependent of any age.

Use the interactive **eligible expense list available here** to learn more. Fun fact, you can search for expenses using filters like Plan Type to make your job easier.

What is an IRS qualifying event?

- A gain or loss in number of dependents
- A gain or loss of eligibility due to a change in participant, spouse, or dependent employment status
- Being added or removed from Medicare or Medicaid coverage
- Special requirements relating to the Family Medical Leave Act (FMLA)
- COBRA election under the employer's plan
- Finally, a change in status can also be a qualifying life event. Some common examples would be marriage, adoption, birth, or when a dependent ceases to satisfy eligibility requirements.

What are the substantiation requirements?

Per the IRS, in order to substantiate a claim, participants must provide documentation that includes these 5 pieces of information:

- The name of the person who incurred the service
- The date of service or that the product was purchased
- The type of service or product
- The location of service- meaning where the service or product was completed or purchased, AND
- The amount of the service or product

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Health Savings Accounts (HSAs)

What are HSAs?

A health savings account (HSA) is an owned account that allows account-holders to add pretax money to their account that can be used for eligible out of pocket health related expenses.

How are HSAs different from FSAs?

HSAs are different because they are entirely employee or participant owned, meaning they are portable and funds do not dissapear or do not become “forfeited” to the plan at the end of the year if unused. HSAs can be used for many of the same expenses that certain FSAs can cover. HSAs allow long term savings, investment opportunities, and must be paired with a high-deductible health plan (HDHP).

Who is eligible to enroll in and participate in a HSA?

The individual must be participating in a High Deductible Health Plan (HDHP) and you cannot contribute to an HSA if you meet any of the following criteria:

- Covered under another health plan that is not an HDHP
- Claimed as a dependent on someone else’s taxes
- Covered by Medicare (Part A and/or Part B), Medicaid or Tricare
- Covered under and eligible to receive reimbursements from another 213(d) plan (Medical FSA or HRA with 213(d) eligible expenses)
- Sub S Corporation owner, spouse or dependent
- Sole-proprietor or 2% or more owner in a partnership, limited liability partnership or limited liability corporation

Who is responsible for following the IRS requirements for eligible expenses and maximum contributions?

HSAs are individually owned. It is the employee’s responsibility to use the account appropriately and to abide by IRS regulations. Employees are made aware of this added responsibility when they sign the Terms and Conditions for HSAs.

Are you still able to use your HSA over age 65?

An individual is eligible to contribute to an HSA after they turn 65 IF they meet certain criteria. This would mean that they are either still enrolled in a HDHP, or they did not enroll in Medicare

An individual over age 65 is able to use distributions from their HSA for eligible medical expenses free of tax, or funds from the HSA can be distributed and used for other non-eligible expenses that would then be taxed.