FLEXFACTS
a company of grant benefit solutions

Frequently Asked Questions (FAQ's)

A guide to answering critical questions during Open Enrollment

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Health Savings Account:

What is a health savings account (HSA)?

An HSA is a tax-advantaged personal savings account that can be used to pay for medical, dental, vision and other qualified expenses now or later in life.

To contribute to an HSA you must be enrolled in a qualified high-deductible health plan (HDHP) and your contributions are limited annually. The funds can even be invested, making it a great addition to your retirement portfolio.

Why should I participate in an HSA?

Funds contributed to an HSA are triple-tax-advantaged.

1. Money goes in tax-free. Most employers offer a payroll deduction through a Section 125 Cafeteria Plan, allowing you to make contributions to your HSA on a pre-tax basis. The contribution is deposited into your HSA prior to taxes being applied to your paycheck, making your savings immediate. You can also contribute to your HSA post-tax and recognize the same tax savings by claiming the deduction when filing your annual taxes.
2. Money comes out tax-free. Eligible healthcare purchases can be made tax-free when you use your HSA. Purchases can be made directly from your HSA account, either by using your benefits debit card, ACH, online bill-pay, or check – or, you can pay out-of-pocket and then reimburse yourself from your HSA.
3. Earn interest, tax-free. The interest on HSA funds grows on a tax-free basis. And, unlike most savings accounts, interest earned on an HSA is not considered taxable income when the funds are used for eligible medical expenses.

What expenses are eligible for reimbursement?

Health plan co-pays, deductibles, co-insurance, vision, dental care, and certain medical supplies are covered. The IRS provides specific guidance regarding eligible expenses. (See IRS Publication 502).

Am I eligible to participate?

In order to contribute, you must be enrolled in a qualified HDHP, not covered under a secondary health insurance plan, not enrolled in Medicare, and not another person’s dependent. There are no eligibility requirements to spend previously-contributed HSA funds.

How do I contribute money to my HSA?

Payroll contributions will be deducted by your employer based on the amount you directed during open enrollment. Direct contributions can also be made to your account online by accessing the portal.

Can I change my contributions to my HSA during the year?

Yes. You will not be subject to the change-in-status rules applicable to other benefit accounts. You will be able to make changes in your contributions by providing the applicable notice of change provided by your employer.

How much can I contribute to my HSA?

Contributions can be made by the eligible employee, their employer, or any other individual. Annual contributions from all sources may not exceed $3,450 for singles or $6,900 for families in 2018. Individuals aged 55 and over may make an additional $1,000 catch-up contributions.

Do I have to spend all my contributions by the end of the plan year?

No. HSA money is yours to keep. Unlike a flexible spending account (FSA), unused money in your HSA isn’t forfeited at the end of the year; it continues to grow, tax-deferred.

What happens if my employment is terminated?

HSAs are portable and move with you if you change employment. Your HSA belongs to you, not your employer, just like your personal checking account.

How do I access the funds in my HSA?

Your HSA is similar to a checking account. You are responsible for ensuring the money is spent on qualified purchases only and maintaining records to withstand IRS scrutiny. Payments can be made via check, ACH, online bill-pay, or debit card, depending on what is available to you.

When must contributions be made to an HSA for a taxable year?

Contributions for the taxable year can be made in one or more payments at any time after the year has begun and prior to the individual's deadline (without extensions) for filing the eligible individual's federal income tax return for that year. For most taxpayers, the deadline is April 15 of the year following the year for which contributions are made.

What happens to the money in my HSA if I no longer have HDHP coverage?

Once you discontinue coverage under an HDHP and/or get secondary health insurance coverage that disqualifies you from an HSA, you can no longer make contributions to your HSA. However, since you own the HSA, you can continue to use the remaining funds for future healthcare expenses.

Is tax reporting required for an HSA?

Yes. IRS form 8889 must be completed with your tax return each year to report total deposits and withdrawals from your account. You do not have to itemize to complete this form.

Can I transfer funds between the cash and investment accounts?

Yes. You can transfer money between your HSA cash and HSA investment account at any time.

Flexible Spending Account (FSA) & Limited Purpose FSA:

What is an FSA?

A healthcare flexible spending account (FSA) is an employer-sponsored benefit that allows you to set aside pre-tax dollars into an account to be used for eligible medical expenses.

What is an LPFSA?

A limited purpose healthcare flexible spending account is an employer-sponsored benefit that allows you to set aside pre-tax dollars into an account to be used for eligible dental and vision expenses. You can only elect the LPFSA if you are enrolled in the Health Savings Account.

Why should I participate in an FSA & LPFSA?

Contributions to the FSA are deducted from your paycheck on a pre-tax basis, reducing your taxable income. You can increase your spendable income by an average of 30% of your annual contribution with the tax savings.

How do I contribute money to my FSA & LPFSA?

Your annual election will be divided by the number of pay periods in your plan year. This amount will be deducted from your paycheck before taxes are assessed.

Who is eligible under an FSA & LPFSA?

An FSA & LPFSA covers eligible expenses for you and all of your dependents, even if they are not covered under your primary health plan.

What expenses are eligible for reimbursement under FSA?

Health plan co-pays, deductibles, co-insurance, eyeglasses, dental care, and certain medical supplies are covered. The IRS provides specific guidance regarding eligible expenses. (See IRS Publication 502).

What expenses are eligible for reimbursement under LPFSA?

Eyeglasses and dental care are covered under the LPFSA. The IRS provides specific guidance regarding eligible expenses. (See IRS Publication 502).

How do I determine the date my expenses were incurred?

Expenses are incurred at the time the medical care was provided, not when you are invoiced or pay the bill.

How do I get the funds out of my FSA & LPFSA?

If you have a benefits debit card, simply swipe it at the register. Otherwise, just file a claim including the receipt documenting the type, amount and date. Once approved, your reimbursement check will be mailed or deposited into your bank account.

What happens if I don’t spend all of my FSA & LPFSA by the end of the plan year?

Be sure to only allocate dollars for predictable medical expenses. Any unused funds at the end of the plan year are forfeited, also called the use-it-or-lose-it rule. You will have 90 days after the end of the plan year to submit for eligible expenses with dates of service for the prior year.

How soon can I start spending my FSA & LPFSA funds?

With a healthcare FSA, your entire annual election amount is available on the first day of the plan year even though you have not yet contributed that amount.

Can I change my election amount mid-year?

Elections can only be altered if you experience a change in status as defined by IRS regulations, such as marriage, divorce, birth, or death in your immediate family.

What happens to my FSA & LPFSA if my employment is terminated?

Participation in your FSA is also terminated. This means that only expenses that were incurred prior to your termination date are eligible for reimbursement. If you terminate employment you will have 90 days to submit for reimbursement for eligible expenses with dates of service prior to your termination date.

Are over-the-counter (OTC) medications eligible for reimbursement?

Yes under the medical FSA only. OTC medications are eligible with a doctor's prescription. You will need to submit a claim with the receipt for the OTC medicine along with the prescription from your doctor that includes the diagnosis and course of treatment to receive reimbursement.

What is a Letter of Medical Necessity?

The IRS mandates that eligible expenses be primarily for the diagnosis, treatment or prevention of disease or for treatment of conditions affecting any functional part of the body. For example, vitamins are not typically covered because they are used for general wellness, but your doctor may prescribe a vitamin to treat your medical condition. The vitamin would then be eligible if your doctor verified the necessity in treatment.

Health Reimbursement Account (HRA)

What is an HRA?

An HRA or a Health Reimbursement Account is an account set up and funded by your employer to reimburse certain eligible health plan expenses.

How does the HRA work?

The HRA covers certain eligible medical expenses under the plan. You can use your HRA benefit to pay for eligible expenses that are part of the health plan deductible.

What happens when I go to the doctor or to the hospital?

Be sure to show your health plan ID card at the time of service. The provider will send the claim directly to the health plan to determine the allowable charge and apply it to your deductible. An Explanation of Benefits (EOB) will then be mailed to you and to the provider indicating how the claim was processed and the allowable charge, which will be what is owed to the provider. The provider will bill you the difference between the allowable charge from the EOB and your deductible and you will be responsible for paying that amount to the provider. You can use your financial account debit card to pay for services or you can submit for reimbursement on the portal or via your mobile application.

What happens at the pharmacy?

Be sure to present your health plan ID card for every purchase as proof of coverage and to allow us to track the deductible. You can use your health financial account debit card for eligible expenses at the pharmacy.

How does my HRA pay if I am also enrolled in the Flexible Spending Account?

If you are enrolled in the FSA your HRA will pay first for eligible medical expenses under the plan. Your FSA will always pay first for eligible dental and vision expenses. If your HRA funds are exhausted, you can use your FSA dollars to cover eligible expenses under the plan.

What happens if I don’t spend all of my HRA by the end of the plan year?

Any unused funds at the end of the plan year are forfeited, and will not roll over. You will have 90 days after the end of the plan year to submit for eligible expenses with dates of service for the prior year.

How soon can I start spending my HRA funds?

With your HRA, your entire employer contribution amount is available on the first day of the plan year.

What happens to my HRA if my employment is terminated?

Participation in your HRA is also terminated. This means that only expenses that were incurred prior to your termination date are eligible for reimbursement. If you terminate employment you will have 90 days to submit for reimbursement for eligible expenses with dates of service prior to your termination date. You may be eligible for COBRA under your HRA, you should contact your HR representative.

Are over-the-counter (OTC) medications eligible for reimbursement?

No. OTC medications are not eligible for reimbursement under the HRA.

Dependent Care FSA (DCA)

What is a dependent care FSA (DCA)?

A DCA is a flexible spending account that allows you to contribute a portion of your paycheck before taxes are taken out to pay for qualified dependent care expenses so that you can work or look for work.

How do I contribute money to my DCA?

Once you make your annual election during open enrollment, your employer will deduct this amount from your paycheck before taxes are assessed in equal amounts throughout the year.

How much can I contribute?

The IRS limits annual contributions to $5,000 on income tax returns for single or married filing jointly, and $2,500 for married filing separately.

Who qualifies as a dependent?

You can use your DCA to pay for care for children under age 13 that you claim as dependents, as well as adults or other relatives that are incapable of caring for themselves (if you provide more than 50% of their support).

What type of care is eligible?

Eligible expenses must be for the purpose of allowing you to work or look for work. Services may be provided at a child or adult care center, nursery, preschool, after-school, summer day camp, or a nanny in your home.

Do I have access to my entire DCA election amount at the beginning of the year?

No, you will only have access to DCA funds that have already been deducted from your paycheck.

How do I use the funds in my account?

If your care provider accepts credit cards, you may pay directly from your account using your health financial account debit card. Otherwise, pay out-of-pocket and then file a reimbursement claim with your expense documentation.

What happens if I don’t spend all of my DCA funds by the end of the plan year?

It is essential to estimate conservatively during elections. Any unused funds at the end of the plan year are forfeited, also called the use-it-or-lose-it rule.

Can I change my election amount mid-year?

Typically, you cannot change your contribution mid- year. However, if you experience a qualifying event, such as the birth of a new child, or if your child care provider significantly increases their rates, you may be eligible to adjust your contribution.

What happens to my account if my employment is terminated?

Participation in the plan is also terminated. This means that only expenses that were incurred prior to your termination date are eligible for reimbursement. You will have 90 days to submit eligible claims for reimbursement after termination.

Commuter Account:

What is a commuter account?

A commuter account is an employer-sponsored benefit program that allows you to set aside pre-tax funds in separate accounts to pay for qualified mass transit and parking expenses associated with your commute to work.

What is a qualified mass transit expense?

Qualified expenses include transit passes, tokens, fare cards, vouchers, or similar items entitling you to ride a mass transit vehicle to or from work. The mass transit vehicle may be publicly or privately operated and includes bus, rail, or ferry.

What is a qualified parking expense?

Get reimbursed for parking expenses incurred at or near your work location or a location from which you continue your commute to work by car pool, van- pool or mass transit. Out-of-pocket parking fees for parking meters, garages and lots qualify. Parking at or near your home is not an eligible expense.

Whose commuter expenses are covered?

Qualified expenses include those incurred for your transportation between your residence and worksite. Expenses for your spouse or dependents are not eligible.

Is there a limit to how much I can contribute?

Yes. Monthly limits are set by the IRS. Currently, contributions for transit and van-pooling are limited to $260 per month. Parking contributions are limited to $260 per month. Any monthly expenses above these limits cannot be exempt from taxes and cannot be applied to future months.

How does it work?

You authorize your employer to deduct a pre-tax amount for parking and/or van-pooling/transit from each paycheck, up to the IRS limits stated above. You pay for the qualified transportation with your financial account debit card or you can pay out of pocket and then file a claim for reimbursement under limited circumstances.

Can I change my election?

Yes. You can make adjustments to your contribution, join, or terminate plan participation at any time.

What happens if I don't use all of my funds at the end of the plan year?

The money left in your account may be carried over into the next plan year, if you continue to participate in the plan.

Do I need to keep my receipts?

Yes. A valid receipt should have the merchant name, date, amount of expense and a description of the purchase for a transportation pass or parking. If you are not given a receipt, a signed claim form will be acceptable showing the amount of the expense that you incurred for that time period.