

Flexible Benefits Questions & Answers

(August 30, 2016)



What is a flexible spending account (FSA)?

A FSA lets you set aside pre-tax money from your paycheck to use for eligible out-of-pocket expenses. You do not need to be enrolled in the state health plan to enroll in a FSA.

Can you have both a medical FSA and a HSA?

No, but you can have a limited purpose FSA and a HSA.

What is the benefit of a FSA?

A medical FSA makes it easy to save funds to use for eligible healthcare expenses that are not covered by insurance.

- Your entire contribution is available at the beginning of the plan year.
- Your healthcare FSA funds can be used by you and:
 - Your spouse;
 - Your child (up to age 26); and/or
 - Your tax dependent who is permanently and totally disabled.

What are some common medical FSA eligible expenses?

- Medical and dental deductibles, copays and coinsurance
- Prescriptions
- Over-the-counter (OTC) items (OTC drugs and medicines require a prescription)
- Hospital expenses
- LASIK surgery and eye glasses
- Contact lenses and saline solution
- Hearing aids and batteries
- Orthopedic devices

What is the benefit of a dependent care FSA?

A dependent care FSA is a great way to save funds for eligible childcare and adult-care expenses. Eligible expenses can be used for:

- Childcare for your eligible dependent under age 13 and
- Care for a spouse or dependent unable to take care of him/herself.

To use your funds, you must be working. If you are married, your spouse must either be working, looking for work, a full-time student or incapable of self-care. Funds become available as they are deducted from your paycheck and deposited into your account. In other words, you do not have your entire yearly pledge available to use on January 1 as you do with a healthcare FSA.

What are some common eligible expenses?

- Child and adult day care
- In-home provider (this cannot be your child under age 19 or someone you claim as a tax dependent)
- Summer camps (not overnight)
- Tuition through preschool
- Before and after school care

Will dependent care FSA funds be available on the PayFlex debit card?

No. Those funds will not be loaded onto the debit card. You will have to file a claim with PayFlex for a dependent care expense.

What else do I need to know about my contributions?

To help plan your contribution, think about the eligible expenses you had last year and/or this year. Then, what you expect next year.

How do you use the PayFlex Card®?

Simply swipe the card and select either debit or credit. If you choose debit, you may need a PIN to complete the transaction. You must contact PayFlex after you receive your debit card to set up a PIN. After you swipe the card, the system automatically confirms whether you have enough funds to pay for the expense.

What can you buy with the card?

You can use the card to pay for eligible healthcare FSA expenses.

Where can you use the card?

- Physician and dentist offices, vision care providers and hospitals
- Grocery stores, discount stores, web-based merchants
- Drug stores and retail pharmacies

What can you use a limited purpose FSA for?

You can use a limited purpose FSA only to pay for eligible out-of-pocket dental and vision expenses. Eligible expenses include:

- Dental and orthodontia care, including fillings, x-rays and braces
- Vision care, including eyeglasses, contact lenses and LASIK surgery

What are some benefits of a limited purpose FSA?

- A limited purpose FSA helps you save money on taxes for certain eligible expenses
- Your entire contribution is available at the beginning of the plan year
- Works great with a HSA, helping save your HSA funds for future medical expenses or for healthcare expenses in retirement

Can you have both a HSA account and a FSA account?

- If you have a HSA, you cannot have a medical FSA account, but you can open a limited purpose FSA to use for dental and vision expenses.
- Consider a limited purpose FSA if you contribute the annual maximum to your HSA. You should consider contributing the maximum allowed to your HSA before contributing to your limited purpose FSA because HSA dollars are not “use it or lose it” like an FSA.
- Dependent care, parking and transportation FSAs are still allowed.

How can you use your medical or limited purpose FSA funds?

Use the PayFlex Card®, your account debit card (medical or limited purpose FSA only)

- Use the card to pay for eligible healthcare FSA expenses.
- Funds automatically come out of your account, if the funds are available.

Does a FSA hurt my other benefits?

Your Social Security will be slightly impacted if below the Social Security wage base

What about termination or change in employment?

- You may want to accelerate your expenses to use up your account balance before termination. Once terminated, no expenses incurred after your last paid date can be reimbursed.
- Flexible benefits participation continues for job transfers within state government.
- Breaks and leaves of absence can cause you to be treated as a terminated employee.
- Check with your personnel officer for details.

What is the significance of the plan year?

- Your enrollment cannot be changed during the plan year unless you have a change in family status and you report the change to the plan within 60 days of the event.
- You must re-enroll in medical and dependent care accounts each year to continue participation.
- Only expenses for services incurred during the plan year and your period of coverage may be reimbursed.

The plan year is a calendar year: January 1 through December 31. If you are hired after the plan year has already begun, the plan begins with the first contribution and ends December 31.