



Medial Expense FSA Explained

Is a Medical Expense FSA right for you?

1) Do you have regular, or planned periodic medical expenses?

2) Are you eligible to participate in your employer's group health insurance plan, even if you're not enrolled in it?

If you answered YES to both of these questions, read on for more information!

What is a Medical Expense Flexible Spending Account (FSA)?

An FSA is an employer-established benefit plan. It is a tax favored account that allows you to set aside pre-tax money (meaning not subject to federal, state, or FICA taxes) for eligible out-of-pocket medical, dental, and vision costs that are not paid by your principal insurance plan. This includes co-pays, deductibles, prescriptions, orthodontia, and more. And because you don't pay tax on the money you set aside, your take home pay increases!

What are eligible (qualified) expenses?

For examples of eligible expenses visit our website at r1benefitstoday.org, and review our Employee page for [Examples of Eligible Expenses \(FSA and HSA\)](#).

How does an FSA work?

Enrollment

Step 1: Estimate your projected expenses carefully before deciding how much money to elect for the plan year. It is often helpful to review your previous year's eligible expenses to get some idea of what you have spent in the past.

Once your plan year begins, you are only able to change or revoke your annual election amount in the case of a qualifying event, such as a change in marital status, new child, etc.

An FSA will not automatically renew each year, so you will need to re-enroll to participate.

Step 2: Determine the amount of your election. The maximum annual amount that you can contribute to your FSA is set by your employer, as well as the IRS. This amount is indexed for inflation and may change from year to year. The maximum annual amount allowed by the IRS in 2017 is \$2,600.

Step 3: Contact your Human Resources department about how to enroll and for the enrollment deadline. Often an online enrollment option is available.

During your enrollment process, you will need to select one of three Medical Expense FSAs:

- 1) **Full Flex (FSA)** - covers medical, dental and eye care expenses for yourself, your spouse and your dependents.
- 2) **Full Flex (LP2)** - covers medical, dental and eye care expenses for yourself, and your dependents, but excludes your spouse. This option allows you to flex medical expenses, even if your spouse is contributing to an HSA.
- 3) **Limited Scope Flex (LPP)** - covers dental and vision expenses only. This option allows you to flex for specific eligible expenses, even if you are also contributing to an HSA.

Your Pay Check/Your Money

The amount of your FSA election will be deducted regularly from your paycheck by your employer on a pre-tax basis, and credited into your FSA account over the course of the plan year. However, your complete election is available immediately at any time during the coverage period, regardless of how much has been deposited. This is beneficial when you are paying for large expenses such as orthodontia, surgery, or eye glasses.

Your employer may also contribute to your FSA if this is specified in the plan, and the money your employer contributes is excluded from your gross income.

Reimbursement from an FSA

Before you can be reimbursed for your expenses, you must first submit a claim to be reviewed and approved as per IRS guidelines. This generally includes a completed claim form with attached verification. Verification (itemized receipts or statements) for eligible expenses must include the following information:

- Date(s) of service
- Type of service or product provided
- Amount of expense, after insurance (if applicable)

Once approved, reimbursement will be deposited directly into your bank account, or mailed to you in check form. We strongly recommend direct deposit!

Use Your Flex Funds!

Generally, you must use all of your FSA funds in the plan year, or you will lose them. However your employer typically has selected one of two options for you in order to reduce the risk of forfeited funds:

- 1) A **Rollover option** allows participants to carryover up to \$500 in unspent FSA medical expense funds into the following plan year.
- 2) A **Grace Period option** allows participants 2 ½ months after the end of the plan year to incur eligible expenses for that plan year.

A plan may allow either a Rollover option or a Grace Period option, but it cannot allow both.