

## Health Flexible Spending Account – Frequently Asked Questions

### What is a health flexible spending account?

A health flexible spending account (FSA) is part of your benefits package. This plan lets you use pre-tax dollars to pay for eligible health care expenses for you, your spouse, and your eligible dependents.

Here's how an FSA works. Money is set aside from your paycheck before taxes are taken out. You can then use your pre-tax FSA dollars to pay for eligible health care expenses throughout the plan year. You save money on expenses you're already paying for, like doctors' office visits, prescription drugs, and much more.

### Why is it a good idea to have a health FSA?

Health FSAs benefit everyone – single individuals, families, and soon-to-be retirees. Setting aside pre-tax dollars means you pay fewer taxes and increase your take-home pay by your tax savings. You save money on eligible expenses that you are paying for out of your pocket. The amount you save depends on your tax bracket.

For example, if you are in the 30 percent tax bracket, you can save \$30 on every \$100 spent on eligible health care expenses such as dental checkups, prescription eyeglasses, and bandages. Discover how your savings can add up by visiting [www.wageworks.com/employees/eligible-expenses](http://www.wageworks.com/employees/eligible-expenses).

And depending on how your health FSA plan is set up, you may be able to carry over up to \$500 of unused funds to the following plan year.

### What expenses are covered under a health FSA?

Only eligible expenses can be reimbursed under the FSA. These expenses are defined by IRS rules and your employer's plan. You can learn about your employer's plan by reading the Summary Plan Description (SPD).

Eligible health FSA expenses are those that you pay for out of your pocket for medical care that's provided to you, your spouse, and eligible dependents. Generally, IRS rules state that medical care includes items and services that are meant to diagnose, cure, mitigate, treat, or prevent illness or disease. Transportation that is primarily for medical care is also included.

You can find a list of eligible expenses at [www.wageworks.com/employees/eligible-expenses](http://www.wageworks.com/employees/eligible-expenses). Here are some examples:

- Your health plan deductible (the amount you pay before your plan starts paying a share of your costs)
- Your share of the cost for doctor's office visits and prescription drugs
- Your share of the cost for eligible dental care, including exams, X-rays, and cleanings
- Your share of the cost for eligible vision care, including exams, eyeglasses, contact lenses, and laser eye surgery

The list of eligible expenses is based on IRS rules. Here are some other IRS rules you should know about:

- **No double-dipping** – Expenses reimbursed under your health FSA cannot be reimbursed under any other plan or program. Only your out-of-pocket health care expenses are eligible for reimbursement. Plus, expenses reimbursed under a health FSA may not be deducted when you file your tax return.
- **Timing is everything** – FSAs have a start date and an end date, and the time in between is called the plan year. Expenses must be incurred during the FSA plan year. As noted in IRS guidelines, "expenses are incurred when the employee (or the employee's spouse or dependents) is provided with the medical care that gives rise to the medical expenses, and not when you are formally billed, charged for, or pay for the medical care." This means the date of service must be within the current plan year and not when you pay for the service.

**Are over-the-counter medicines eligible expenses?**

Yes, but they require a prescription. IRS rules state that over-the-counter (OTC) medicines and drugs are not eligible for reimbursement under your health FSA unless prescribed by a doctor (or another person who can issue a prescription) in the state where you purchase the OTC medicines. These rules do not apply to insulin (including OTC insulin).

Any claim you submit for reimbursement that has an OTC medicine expense must include a Request for Reimbursement Form and one of the following types of supporting documentation:

- A written or electronic OTC prescription along with an itemized cash register receipt that includes the merchant name, name of the OTC medicine or drug, purchase date, and amount
- A printed pharmacy statement or receipt from a pharmacy that includes the patient's name, the Rx number, the date the prescription was filled, and the amount

Here are some of the many examples of OTC medicines and drugs that require a prescription:

- Allergy and sinus: Actifed, Benadryl, Claritin, Sudafed
- Antacids: Mylanta, Pepcid AC, Prilosec, TUMS
- Aspirin and pain relievers: Advil, Excedrin, Motrin, Tylenol
- Cold and flu: Nyquil, Theraflu, Tylenol Cold & Flu
- Diaper rash ointments: Balmex, Desitin
- First aid creams, sprays, and ointments: Bactine, Neosporin
- Sleep aids: Sominex, Tylenol PM, Unisom Sleep Tabs

**What over-the-counter items are eligible expenses?**

There are many OTC items eligible for reimbursement through your health FSA, and you can use your benefit card to purchase these items. Here are some of the many examples:

- Bandages, Band-Aids, and gauze
- Batteries for hearing aids, blood glucose monitors, etc.
- Diabetic supplies and test kits
- First aid kits
- High blood pressure monitors
- Thermometers

**Can I use my FSA funds to stock up on over-the-counter items?**

No. You can only use your FSA for items that you can reasonably use during the plan year. If you "stockpile" OTC items, you won't be reimbursed.

**What expenses are not covered under a health FSA?**

Expenses that are not approved are called "ineligible expenses." Ineligible health FSA expenses include:

- Cosmetic surgery and procedures, including teeth whitening
- Herbs, vitamins, and supplements used for general health
- OTC medicines that you don't have a prescription for (except insulin)
- Insurance premiums
- Family or marriage counseling
- Personal use items such as toothpaste, shaving cream, and makeup
- Prescription drugs imported from another country

You can't use your FSA for:

- Services that take place before or after your coverage period
- Expenses that are reimbursed by another plan or program, including a health care plan

These are only a few of the examples of expenses that aren't covered by a health FSA. You can find a full list of eligible and ineligible expenses at [www.wageworks.com/employees/eligible-expenses](http://www.wageworks.com/employees/eligible-expenses).

#### How do I use my FSA for orthodontic services?

These services aren't provided the same way as other types of health care. Most of the time, orthodontic services are provided over a long period of time and may extend beyond the plan year, and services tend to be hard to match up with actual costs. As a result, the reimbursement process is different, and you have two ways to be reimbursed:

1. **Entire cost of treatment** – This method allows you to be reimbursed for the full amount of the orthodontia contract. You can do this only if you paid the full amount of services during the plan year. To get reimbursed, send in these items:
  - Completed reimbursement request form
  - Proof of payment for the entire contract, including start date and expected end date
  - Proof of payment made during the applicable plan year in which you are requesting reimbursement
2. **Monthly approach** – This method allows you to be reimbursed for the first round of treatment (usually called banding fees) and then monthly reimbursement after that. To get reimbursed for banding fees, submit:
  - A completed reimbursement request form
  - Your treatment plan or itemized statement that includes the start date and the expected end date
  - Proof of the initial down paymentAfter the first reimbursement request is submitted, send in these items for monthly reimbursement:
  - Your completed reimbursement request form
  - An itemized statement or monthly coupons from the orthodontist
  - Proof of the monthly payment

#### Is there a limit to how much I can contribute to my health FSA?

Yes. As a result of the Affordable Care Act, employee contributions have been capped for health FSA plans. The annual limit is \$2,650 and you cannot contribute more than this amount. However, your plan may have an annual limit that is less. Please review your Summary Plan Description (SPD) to find out the annual limit for your plan.

#### Is there a limit to how much my employer can contribute to my health FSA?

The statutory \$2,650 limit does not apply to certain non-elective employer contributions made to an employee's health FSA. It also does not apply to contributions made to other types of FSAs (such as dependent care FSA), health savings accounts (HSAs), or health reimbursement arrangements (HRAs).

#### Can my spouse also contribute to an FSA?

Yes, if your spouse is eligible to make contributions to a health FSA. Each spouse may contribute up to the \$2,650 maximum limit to their own health FSA. This applies even if both spouses participate in the same health FSA plan sponsored by the same employer.

**How much money is available during the plan year?**

Your entire health FSA election is available on the first day of the plan year. If your FSA is active, your available funds decrease as your claims are paid. You can find out your available funds by logging in to your online account at [mybenefits.wageworks.com](https://mybenefits.wageworks.com).

**How often are reimbursements made?**

Your employer chooses the reimbursement schedule. You can find out how often reimbursements are made by reading the SPD.

**How do I keep track of my account activity?**

Your FSA information is available anytime day or night by logging in to your online account at [mybenefits.wageworks.com](https://mybenefits.wageworks.com). Log in and find:

- Real-time account balance
- Claims status
- Reimbursement payment history

**Where can I get a reimbursement request form?**

This form is available online at [mybenefits.wageworks.com](https://mybenefits.wageworks.com). Just log in to your account to find it.

**What do I need to submit along with a reimbursement form?**

You must save all itemized receipts and other supporting documentation for every FSA expense. Try to keep all of your documentation filed in an envelope or box. Appropriate documentation includes:

- **For office visits** – Your health plan's Explanation of Benefits (EOB) statement or an itemized receipt or bill from the provider that includes the patient's name, a description of the service, the original date of service, and your portion of the charge.
- **For prescription drugs** – A pharmacy statement or printout including the patient's name, the Rx number, the name of the drug, the date the prescription was filled, and the amount.
- **For over-the-counter medicines** – A written or electronic OTC prescription along with an itemized cash register receipt that includes the merchant name, name of the OTC medicine or drug, purchase date, and amount; OR a printed pharmacy statement or receipt that includes the patient's name, the Rx number, the date the prescription was filled, and the amount.
- **For over-the-counter health care-related products** – An itemized cash register receipt with the merchant name, name of the item/product, date, and amount.

In some cases, a Medical Determination Form completed by a doctor is required. Credit card receipts, canceled checks, and balance forward statements do not meet the requirements for acceptable documentation.

**What happens if I have funds left in my health FSA at the end of the plan year?**

It depends on the rules for your employer's FSA plan. Your employer decides the features included in your FSA plan, and the way your health FSA plan is set up determines if you can use funds left in your account after the plan year ends. Review the Summary Plan Description (SPD) to learn if your plan includes either of these features:

- **Carryover** – lets you carry over up to \$500 of unused health FSA funds to the following plan year. (Your health FSA may have a maximum limit that is less.) This feature gives you more flexibility on how and when to use your health FSA funds.
- **Grace period extension** – gives you extra time to incur eligible expenses and use funds remaining in your account after the plan year ends. The grace period begins on the first day of the following plan year and lasts two months and fifteen days.

The IRS doesn't allow a health FSA plan to have both a carryover feature and a grace period extension. If your health FSA had a grace period in the past, it no longer applies to your current plan if the carryover feature is now available. Learn more about each feature on our Unused FSA Funds page on the WageWorks website.

Even if your plan has a carryover feature or a grace period, it's important to plan carefully when you decide how much to put into your FSA. For example, don't think of a grace period as an extension of the plan year. It's more like a cushion in case your expenses fall a little short of what you expected.

**Please note:** Not all plans have one of the features listed above, and the length of a grace period can vary. So can the maximum amount of a carryover. That's why it's important to review your SPD.

#### What is a run-out period?

It's a set number of days after the plan year ends that allows you to submit claims for eligible expenses incurred during the plan year. Not all FSA plans include this feature and the time frame of the run-out period may vary by plan. Check your Summary Plan Description (SPD) for details.

Some people get a run-out period confused with a grace period extension, so here's an example that shows the difference. Let's say your plan year begins on January 1 and ends on December 31.

- The **run-out period gives you extra time to submit reimbursement requests** for eligible expenses incurred in the plan year. If you visit the doctor in December – the last month of the plan year – you may submit a reimbursement request for that expense during the run-out period. You will be reimbursed from the funds left in your health FSA from the previous plan year.
- A **grace period extension gives you extra time to spend funds** left in your account from the previous plan year. If you buy eyeglasses in January – the month after the plan year ends, you may use the remaining funds from the previous plan year to cover that expense. The grace period lasts two months and 15 days, so in this example, the grace period ends on March 15. And remember, not all FSA plans include this feature (see the SPD).

#### What is the "use-it-or-lose-it" rule?

The IRS created this rule, which states that all money left in your FSA is forfeited after the plan year ends, or if applicable, after the run-out period. If your health FSA has a carryover feature, you may carry over up to \$500 of unused funds into the next plan year. The \$500 maximum carryover limit was set by the IRS, but your employer may decide to have a lesser amount – check your Summary Plan Description (SPD). After the carryover, you forfeit remaining unused funds that are more than the carryover amount.

The unused portion of your health FSA cannot be paid to you in cash or other benefits, and you can't transfer money between FSAs. To reduce your risk of losing money at the end of the plan year, carefully estimate your expenses when choosing your annual election amount.

#### Can I change my election amount?

Your election can't be changed during the plan year unless you have a change in status or other qualified event – that's an event defined by IRS rules – and your employer's plan must allow the change as well. Qualified changes in status events include:

- A change in legal marital status (marriage, divorce, or death of your spouse)
- A change in the number of your dependents (birth or adoption of a child, or death of a dependent)
- A change in employment status of you, your spouse, or dependent
- An event causing your dependent to satisfy or cease to satisfy an eligibility requirement for benefits
- A change in residence of you, your spouse, or dependent

There are two parts to determining if a change in election will be allowed. First, you must experience a change in status or other qualified event. Second, your requested change must be consistent with the event. For example, if you have a baby, you could increase your FSA contribution. Please see your SPD for more information about other qualified changes, consistency requirements, and exceptions that may apply.

**Please note:** The information above assumes that your employer's plan allows all changes permitted under the IRS rules. An employer may restrict mid-year election changes by the way the plan is set up. Please see your SPD for specific rules that apply to your plan. If you have a change in status or other qualified event, contact your human resources or benefits representative to obtain the forms you will need to complete.

#### **What happens if I stop working for working for this employer?**

If you stop working for your employer or you lose your FSA eligibility, your plan participation and your pre-tax contributions will end automatically. Expenses for services you have after your termination date are not eligible for reimbursement.

**Please note:** You may be entitled to elect COBRA continuation coverage under the health FSA and receive reimbursement for qualified expenses incurred after your termination, but only if you continue to make the required FSA COBRA premium payment using your money after taxes have been taken out. However, you generally do not have the right to elect COBRA continuation coverage if the cost of COBRA continuation coverage for the remainder of the plan year equals or is more than the amount left in your FSA (excluding your carryover dollars, if applicable). Please see your SPD for specific rules that apply to your FSA plan.