



# Health Care and Limited Purpose FSA Frequently Asked Questions



## 1. What is a Flexible Spending Account?

A Flexible Spending Account (FSA) is an employer-sponsored plan that allows you to use pre-tax dollars to reimburse yourself for eligible out-of-pocket expenses. With an FSA, you elect to have your annual contribution deducted from your paycheck each pay period, in equal installments throughout the year, until you reach the amount you have specified. The maximum amount you may elect is set by your employer and cannot exceed the IRS maximum for the year. The amount of your payroll deduction that goes into an FSA will not count as taxable income, so you will have immediate tax savings.

Your FSA belongs to your employer, and you will generally forfeit any money left in an FSA at the end of the year. Or your employer may allow you an additional time frame beyond the end of the year to incur qualified expenses. In some cases, your employer may allow you to carry over a portion of the money into the next year.

There are two types of FSAs:

**Health Care FSA (HCFSA)** – a pre-tax benefit account that you can use to pay for qualified medical, dental, prescription and vision expenses throughout the year.

**Limited Purpose FSA (LPFSA)** – a pre-tax benefit account pairs with a Health Savings Account (HSA). Using an LPFSA along with an HSA is a way for you to increase your tax benefits to pay for qualified dental and vision expenses throughout the year.

## 2. Who can put money into my FSA?

You and your employer, although employers rarely contribute to employees' FSAs.

## 3. How do I participate in an FSA?

You must enroll to participate during your employer's Annual Enrollment or as the result of a qualifying life event. Contact your benefits administrator for more information.

## 4. How do I change my FSA deduction amount?

Employers only allow changes to your election (that would in turn update your payroll amount) during Annual Enrollment or a qualifying life event such as the addition or loss of a dependent. Contact your benefits administrator for more information.

## 5. Can I enroll in both an HSA and an FSA?

If you enroll in both an HSA and an FSA, you cannot make contributions to the HSA for that coverage period if the FSA is a "general purpose" Health Care FSA that pays or reimburses for qualified medical expenses. However, you will be able to make contributions to an HSA or FSA if you are covered under a limited purpose FSA because that restricts reimbursements to certain qualified medical expenses such as vision, dental or preventive care benefits.

## 6. How much will I really save in taxes by contributing to your FSA?

No payroll or income taxes are withheld from contributions to an FSA. The amount you may save depends upon:

- The amount you put into your FSA
- The tax percentage you would normally pay on that money (tax bracket)

Let's say you want \$2,000 taken out of your paycheck this year to put into your FSA. The money you direct to your FSA is taken out of your check before taxes are taken out. That reduces your taxable income by \$2,000. Let's say you normally pay 30 percent in federal, social security and state taxes on your income. In this example, you would have a tax savings of 30 percent of the \$2,000. In other words, you could get a \$600 tax savings on the \$2,000 you directed to your FSA.

## 7. What is an eligible expense for my Health Care or Limited Purpose FSA?

The IRS defines which medical expenses are eligible under an FSA. Not all expenses are eligible under all plans. A Limited Purpose FSA restricts reimbursements to qualified vision and dental expenses. An employer may limit which expenses are allowable under their Health Care FSA. If you are unsure of what your Health Care or Limited Purpose FSA dollars may be used for, please look at the IRS publications below, or refer to your summary plan description.

[IRS Publication 502](#) and [IRS Publication 969](#)

## 8. Can I use my account to pay for medical expenses for a spouse or dependent?

Yes, you may use your funds without penalty to pay for qualified medical expenses for yourself, spouse or dependent even if they are covered under another health plan. Consult a qualified tax advisor for advice.

## 9. Do funds carry over at the end of the plan year?

Your FSA belongs to your employer, and you will generally forfeit any money left in an FSA after the end of the plan year. In some cases, your employer may have a grace period or carryover provision that may allow you to carry over a portion of the money into the next year. Refer to your plan documents to determine if your employer offers one of these provisions.

## 10. When are my funds available?

For Health Care and Limited Purpose FSAs the full benefit amount that you elected is available at the beginning of the coverage period regardless of how much has been contributed.

## 11. My FSA plan has a grace period. What does this mean for me?

The FSA grace period is a provision implemented at the discretion of your employer. It allows you to have up to an additional 2½ months after the end of the plan year to spend down money that is left in your Health Care FSA. This extension of time to incur expenses reduces the chance for forfeitures.

Please note: if you were in a Health Care FSA and have a balance at the end of your plan year and enroll in an HSA-eligible health plan and an HSA in the new plan year, your enrollment in the Health Care FSA may impact your eligibility to make contributions to your HSA until the end of the grace period.

## 12. My FSA has a carryover provision. What does this mean for me?

The FSA carryover allows you to carryover up to the IRS maximum unless your employer has established a lower amount.

Please note: if you were in a Health Care FSA and have a balance at the end of your plan year and enroll in an HSA-eligible health plan and an HSA in the new plan year, your enrollment in the Health Care FSA may impact your eligibility to make contributions to your HSA for the whole year.

## 13. Once I submit, how long does it take for my funds to be available?

Claim review occurs within 2 business days. Once your claim is approved, funds may be available in as few as 3 business days, if you have a bank account added to your account. Please visit [NetBenefits](#) for more information and instructions on linking your bank account. However, a check can take up to 7 business days to arrive.

## 14. How often can I request reimbursements?

Reimbursements can be requested as often as qualified expenses are incurred. Typically, expenses must be incurred during the plan year, unless the plan has a grace period or carryover provision, and the reimbursement must be requested before the end of the run-out period.

## 15. What do I do if a provider refunds me for an expense I paid for with my benefit account or I requested funds in error?

A refund can be submitted via check along with the claim number to the standard PO Box on claim notifications, or you may contact our call center to have the corresponding claim denied so that you can repay the claim on [NetBenefits](#). If the provider refunds your debit card, the account will be repaid, but you may need to contact the call center if the corresponding claim is unresolved. At that point we can have the refund applied to that claim.

## 16. What is substantiation?

Substantiation is the supporting documentation or data that confirms an expense or claim is eligible to be paid. Most card transactions are auto-substantiated and no further action is required. A small percentage of claims may not be auto-substantiated using the NetBenefits AccessCard® and you may receive a letter or email requesting a receipt to verify the expense so save your receipts.

## 17. What kind of documentation is required to substantiate my claim?

The IRS requires the following information for substantiation:

- Name of person who incurred the service or expense
- Name and address of the provider or merchant
- Date of service or expense incurred
- Detailed description of the service
- Amount charged for the service or expense

Examples of acceptable documentation:

- EOB (explanation of benefits)
- Detailed, itemized receipts
- Detailed invoices

Examples of unacceptable documentation:

- Provider statement that only indicates the amount paid, balance forward or previous balance
- Credit card receipt
- Missing or vague medical provider's note
- Bills for prepaid medical expenses where services have not yet occurred

## 18. How will I know if I need to send in documentation to substantiate my claim?

Fidelity will send an email requesting documentation. You can also check your notifications on the Flexible Spending and Reimbursement Accounts page on [NetBenefits](#). After you upload (or fax the applicable documentation), your claim will be manually adjudicated. If the transaction is ineligible or if documentation is not sent after a second request, access to your FSA funds on your NetBenefits AccessCard® may be suspended and a request for repayment will be made. Your FSA on the NetBenefits AccessCard® may be reinstated when receipts are received or a repayment is made.

## 19. What is the receipt reminder process?

**Day 1:** NetBenefits AccessCard® transaction processed. Auto-substantiation applied (Inventory Information Approval System (IIAS), co-pay matching or recurring expense logic)

If auto-substantiated, no further action needed from you

If not auto-substantiated, the first receipt reminder will be sent to you

**Day 30:** Second reminder sent

**Day 60:** Overdue notice sent

**Day 90:** Letter with repayment request sent

**Day 100:** The FSA on the NetBenefits AccessCard® will be turned off until repayment is made or receipt is provided

## 20. How can I grant my spouse access to my account?

You may submit a Power of Attorney Form or an Authorized Representative Form. These forms can be found on the Reimbursement Accounts page on [NetBenefits](#).

## 21. What happens if I terminate?

The FSA on your NetBenefits AccessCard® will be deactivated, and you'll have a run-out period to submit eligible expenses that were incurred while you were still actively employed. Your employer determines the length of the run-out period. After the run-out period ends, any remaining funds in your account are forfeited back to your employer's plan.

Typically, Health Care and Limited Purpose FSAs can be continued under COBRA. If you wish to enroll in COBRA coverage for your FSA, please contact your benefits administrator for more information.

