PAYING FOR CARE

Did you enroll in a health benefit account at annual enrollment? If you did, you can use it to save money when paying for health care, instead of your checking account. See how the HSA and the health care FSA work – and learn about other health benefit accounts too.

Using a health savings account (HSA) or a health care flexible spending account (FSA) can help you save money. Unlike the money you put into a personal checking or savings account at the bank, you don't pay federal income tax on the money you contribute to an HSA or health care FSA. And both accounts allow you to withdraw money tax free to use to pay for qualified medical expenses. But the HSA and health care FSA have some key differences. **Find out what they might mean to you.**

	HSA **An individual tax-advantaged account that you own and allows you to save what you don't use for future health care costs.**	**HEALTH CARE FSA** **An account your employer owns that allows you to set aside money you plan to spend, typically within the plan year**
Will the account help me save on taxes?	Yes. You don't pay taxes on your contributions or when the account grows. You can also withdraw money tax free to cover qualified medical expenses.[1]	Yes. You can not only add money as pretax payroll deductions, but also withdraw money tax free to cover qualified medical expenses.[2]
How do I know if I'm eligible?	You can establish and contribute to an HSA if you meet all of the eligibility requirements. - Must be enrolled in an HSA-eligible health plan on the first day of the month - Must not be covered by any other health plan unless that plan is also an HSA-eligible health plan - Must not be enrolled in Medicare - Cannot be claimed as a dependent on someone else's tax return[3]	If you meet the plan eligibility requirements you can enroll in a health care FSA with your employer. If you're self-employed, you aren't eligible.
What happens if I have money left over at the end of the year?	The balance **carries over from** year to year until you need it.	You will generally **forfeit any money left** in a health care FSA at the end of the year, unless your employer offers a grace period or allows you to carry some of it over for next year.
What if I change jobs, lose my job, or retire?	Your **HSA can move with you.** If you lose your job, you can use the money to pay for COBRA premiums (which temporarily extend your employer-sponsored health care coverage). And in retirement, you also can use your HSA for general (non-health care) expenses starting at age 65—you just have to pay normal income taxes on the money you withdraw.	The account **remains with your former employer** when you leave, but you may be able to elect to continue to be enrolled in a health care FSA under COBRA.
How can I make my money grow?	Contributions generally go into an interest-earning account, but you may be able to invest all or part of your balance to save for the future.[4]	You can't.

WHAT OTHER ACCOUNTS MAY BE AVAILABLE TO ME TO HELP PAY FOR HEALTH CARE?

Limited-purpose FSA (LPFSA)

Many employers who offer an HSA-eligible health plan with an HSA also offer an LPFSA. A limited-purpose FSA allows you to set aside money specifically for qualified vision and dental expenses.

Having both accounts lets you get the most tax and savings benefits. If you use an LPFSA to pay for dental and vision expenses, you can then use your HSA for other qualified medical expenses—or save it for later. But, as with a health care FSA, you typically lose the money you don't spend in an LPFSA. You may want to consider contributing to an LPFSA after you reach your maximum HSA contribution.

Health reimbursement arrangement (HRA)

This is an employer-owned account, meaning you as an employee cannot contribute to it. Your employer controls how much goes in and decides how it is spent. Employees with an HRA can use the tax-free money from their employer to pay for qualified medical expenses that may not be covered by their health plan.

Other types of reimbursement accounts that can support your health

You may have other reimbursement accounts to help you pay for things that can help you get or stay healthy, such as fitness memberships, ergonomic home-office equipment, or transportation (16% of consumers ages 18 to 34 that Fidelity surveyed said that a lack of reliable transportation affects their ability to get or stay healthy).[5]

And to meet the needs of an increasingly diverse workforce and give employees more flexibility with their benefits, a few employers are beginning to fund lifestyle spending accounts that employees can use on a number of eligible expenses. Fidelity expects the number of employers offering these accounts to increase over the next few years, so be on the lookout for them where you work.

WHAT ELSE CAN I DO TO HELP MANAGE THE COST OF CARE?

Shop around for health care services. Only 30% of consumers Fidelity surveyed said they do this now.[6] If your employer offers a navigation service, contact them first to help you find health care providers who are in-network and get information so you can compare things like prices and quality scores of these providers. If your employer doesn't offer navigation services, you can use your health plan's provider search tool to find providers and then call providers directly to obtain information to compare.

Ask your doctor for a lower cost option. Only 39% of the consumers we surveyed who said it was financially difficult for them to pay their health care bills in the past two years reported that they had asked their doctor for a more affordable option.[7]

Question a bill if you do not understand it or if you think it has an error. Medical billing errors are common; with many of those errors not favoring the patient.[8] But a recent Fidelity survey found that only 27% of consumers in the past two years had challenged a bill.[9]

Ask your provider about a payment plan. Even if you have set up a health care budget and are setting aside money regularly to prepare for health care costs, you might have an unexpected health event and be unable to pay all the costs right away. Almost half (48%) of the consumers Fidelity surveyed said it would be at least somewhat difficult if they had to pay their entire deductible at once.[11] Most health care providers now offer payment plans—with little or no interest—to help you pay these costs over time. And special credit card options, such as CareCredit®, offer no interest, short-term financing.[12]

Develop a health care budget. Many (44%) of the consumers Fidelity surveyed said they do not budget for health care expenses.[10] Those who did were more likely to say they were prepared for the costs of an unexpected health event that they had experienced in the past two years.

There are many ways to budget. You can look at what you spent on health care last year and adjust based on what health services you think you might need in the coming year. Or you can budget based on your health plan deductible (i.e., the amount that you have to pay out-of-pocket before your health plan starts paying) or your health plan out-of-pocket limit (i.e., the maximum amount that you would have to pay—outside of your monthly premium—during the plan year).

Something else to consider: If you switched to a high-deductible health plan from a Preferred Provider Organization (PPO) or other plan this year, consider contributing what you are saving in monthly premiums to an HSA.

[1] With respect to federal taxation only. Contributions, investment earnings, and distributions may or may not be subject to state taxation. The triple tax advantages are only applicable if the money is used to pay for qualified medical expenses.

[2] Publication 969 (2021), Health Savings Accounts and Other Tax-Favored Health Plans. Internal Revenue Service, 2021, https://www.irs.gov/publications/p969.

[3] "Revenue Procedure 2021-25," Internal Revenue Service, Code of Federal Regulations, 2021, https://www.irs.gov/pub/irs-drop/rp-21-25.pdf."Health Savings Accounts (HSA) FAQs," Fidelity.com, accessed January 31, 2022, https://www.fidelity.com/go/hsa/faqs?imm_pid=700000002058991&immid=100853&imm_eid=ep53520211790&gclid=CIDFr-mp3PUCFcOIgQodYL0DOw&gclsrc=ds

[4] Investing involves risk, including the risk of loss. Fidelity does not provide legal or tax advice. The information herein is general in nature and should not be considered legalor tax advice. Consult an attorney or tax professional regarding your specific situation.

[5] Fidelity Health Solutions Thought Leadership Health Benefits Consumer Survey, Fall 2022. Q61: In the last year, have you struggled with any of the following social factors that may impact your ability to get or stay healthy? Sample included 1,552 US consumers with employer-sponsored insurance.

[6] Fidelity Health Solutions Thought Leadership Affording Care Consumer Survey, Fall 2022. Q27: Thinking about your health care costs and paying your medical bills, how frequently do you: Shop around for health care services (i.e., compare prices, quality of the provider, etc.)? Sample included 1,501 U.S. consumers with employer-sponsored insurance.

[7] Fidelity Health Solutions Thought Leadership Affording Care Consumer Survey, Fall 2022. Q27: Thinking about your health care costs and paying your medical bills, how frequently do you: Shop around for health care services (i.e., compare prices, quality of the provider, etc.) and Q33. In the last two years, how financially difficult or easy was it for you to pay your health care-related bills? Sample included 1,501 US consumers with employer-sponsored insurance.

[8] Doug Klinger, "Medical Billing Errors Are Alarmingly Common—and Patients Are Paying the Price," Healthcare Innovation, May 15, 2019, https://www.hcinnovationgroup.com/finance-revenue-cycle/article/21080693/medical-billing-errors-are-alarmingly-commonand-patients-are-paying-the-price

[9] Fidelity Health Solutions Thought Leadership Affording Care Consumer Survey, Fall 2022. Q32: Where did you turn for help, if anywhere, to challenge the bill that had the suspected error? Sample included 1,501 U.S. consumers with employer-sponsored insurance.

[10] Fidelity Health Solutions Thought Leadership Affording Care Consumer Survey, Fall 2022. Q46: Which of the following most accurately describes how you budget for health care expenses each year? I don't budget for health care expenses. Sample included 1,501 U.S. consumers with employer-sponsored insurance.

[11] Fidelity Health Solutions Thought Leadership Affording Care Consumer Survey, Fall 2022. Q45: If you had to pay your entire deductible all at once—for example, if you had an unexpected, expensive health event—how difficult or easy would it be for you to afford it? Sample included 1,501 U.S. consumers with employer-sponsored insurance.

[12] "What Makes CareCredit Different," CareCredit, accessed November 11, 2022, https://www.carecredit.com/howcarecreditworks/prospective/.

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