

# Health Care

## Flexible Spending Account



### Paying for Unreimbursed Health Care Expenses With Pre-Tax Payroll Reductions

#### Health FSA Basics

A Health Care Flexible Spending Account (HFSA) allows you to set aside a portion of your salary, before-tax, to reimburse certain amounts you pay for medical care.

Participating in a Health Care Flexible Spending Account can help save you money on taxes since the money you set aside is not subject to federal income or Social Security tax. This allows you to benefit from more of the money you earn.

Your annual HFSA contribution may not exceed \$3,200 (for 2024, as indexed for inflation each year). Your annual contribution may be further limited by your employer's plan.

#### What are Eligible HFSA Expenses?

You may be reimbursed from your health care FSA for expenses related to medical care, only. An amount spent on general good health is not considered a medical expense. An expense is for medical care if it is incurred to diagnose, cure, mitigate, treat, or prevent disease or affect any structure or function of the body.

If an expense is not clearly for medical care, or if it has both a medical care and non-medical care purpose, your doctor must document, in writing, that it is medically necessary.

Your HFSA may not reimburse insurance premiums or expenses that are paid from other medical, dental or vision plan coverage.

#### Whose Expenses are Eligible for Reimbursement?

A medical expense must be incurred by an employee, the employee's spouse, or the employee's tax dependent for health coverage purposes in order for the expense to be reimbursed from the HFSA.

Expenses of an employee's child who has not attained age 27 as of the end of

the employee's taxable year may also be eligible for reimbursement. Refer to your plan for more details.

#### How Does the HFSA Work?

The HFSA will allow you to set aside dollars from your paycheck, before taxes are taken out, and these dollars may be used for medical care expenses.

To participate in the HFSA, you must designate the total amount you would like to contribute for the plan year. A portion of your total contribution will be deducted from each paycheck you receive during the plan year. When you incur an eligible medical expense, you must submit a claim and proper documentation in order to be reimbursed tax free from your account. When deciding your contribution amount for the year, it is important to conservatively estimate the medical expenses that you will incur within the plan year. According to IRS regulations, any money remaining in your account at the end of the plan year will be forfeited.

Your plan may, in certain circumstances, allow you to carryover a certain amount of unused funds to be used in the next plan year before unused amounts are forfeited. This carryover amount may not exceed \$640 (for 2024, as indexed for inflation each year).

Alternatively, your plan may allow you to continue to incur claims during a grace period of up to 2-1/2 months into the next plan year before unused amounts are forfeited.

Please check with your plan to see if either of these features (the carryover or the grace period) apply to your HFSA.

#### Rules to Remember

If you do not use the money you contribute to your HFSA for medical care expenses you incur during the plan year (and grace period, if applicable) you lose it (except for the allowable carryover amount, if any).

If your plan has the carryover option, the carryover amount will not be available for you to use until after the time limit for submitting expenses for reimbursement for the prior plan year has passed.

You must submit claims for reimbursement in accordance with the timing set by your plan.

	Without HFSA Plan After Tax	With HFSA Plan Before Tax
Annual Gross Pay	\$30,000.00	\$30,000.00
Before Health Care Expense	\$0.00	-\$1,000.00
Taxable Gross Pay	\$30,000.00	\$29,000.00
Federal Income Tax (12%)*	-\$3,600.00	-\$3,480.00
FICA Tax (7.65%)*	-\$2,295.00	-\$2,218.50
After-tax Health Care Expense	-\$1,000.00	\$0.00
Net Take-home Pay	\$23,105.00	\$23,301.50

**Total Annual Savings: \$196.50**

\*Note – Your FICA and/or Federal Income Tax rate may differ. Consult your tax advisor.

## May I Change My Election?

Because of the special tax advantages that the HFSA provides, the IRS places restrictions on changing your HFSA mid-year.

Once you authorize deposits to your HFSA for the plan year, federal rules prohibit you from stopping or changing your election until the next plan year, unless you experience a "Change of Status Event" recognized by your plan.

### Examples of Change in Status Events

- Change in legal marital status
- Change in number of dependents
- Change in employment status of employee, spouse or dependent that affects eligibility
- Reduction or increase in hours of employment of employee, spouse or that affects eligibility
- Dependent satisfies (or ceases to satisfy) eligibility requirements
- Change pursuant to a judgment, decree or order
- Medicare or Medicaid entitlement

If you do not use the money you deposit in your HFSA for medical expenses you incur during the plan year (and grace period, if any), any remaining amount cannot be returned to you at the end of the plan year. If your plan includes a carryover feature, you may be able to use the carryover in the next plan year.

### Examples of Eligible Expenses

- Deductibles and co-pays under medical plans
- Dental and orthodontic expenses
- Vision exams, glasses, contact lenses
- Prescription medication and supplies
- Over the counter medicines and drugs
- Physical and mental therapy for medical care
- Chiropractic care
- Laboratory fees

This is a partial list, for illustrative purposes only. All medical expenses must be properly substantiated, consistent with IRS guidelines, in order to be reimbursed from your HFSA. Some FSAs limit the expenses that may be eligible for reimbursement. Consult your plan documents.

## Worksheet

Use the list below as a guide to estimate your expected out-of-pocket expenses for the items in the next year. You may want to review your banking statements from past years for an indication of how often some expected and unexpected expenses occur. The items listed below are only a few of the many items eligible for reimbursement from an HFSA. For a more comprehensive list, refer to "IRS Publication 502, Medical and Dental Expenses." Please note that Publication 502 gives an overview of medical expenses, but not all items identified in Publication 502 may be reimbursed from your HFSA (for example, a premium payment is not an eligible HFSA expense).

Medical		Dental	
Deductibles	\$ _____	Office visits	\$ _____
Co-pays	\$ _____	Deductibles	\$ _____
Counseling (limited)	\$ _____	Orthodontics	\$ _____
Routine checkups	\$ _____	Crowns, bridge	\$ _____
Alcohol/drug treatments	\$ _____	Dental exam/cleanings	\$ _____
Office visits	\$ _____	Oral surgery	\$ _____
School physicals	\$ _____	Space maintainers	\$ _____
Well baby/child care	\$ _____	Extractions	\$ _____
Physical therapy	\$ _____	X-rays	\$ _____
Immunizations	\$ _____	Dentures	\$ _____
Chiropractors	\$ _____	Fluoride treatments	\$ _____
Lab fees	\$ _____	Fillings	\$ _____
Emergency room	\$ _____	Root canals	\$ _____
OTC medicines/drugs	\$ _____	Periodontal surgery	\$ _____
Crutches, wheelchairs	\$ _____	Sealants	\$ _____
Acne treatment	\$ _____		
Surgery	\$ _____	<b>Subtotal</b>	<b>\$ _____</b>
Private hospital room	\$ _____		
Private nursing	\$ _____		
OB/GYN exams	\$ _____	Vision/Hearing	
Prescription drugs	\$ _____	Eye exams	\$ _____
Menstrual Products	\$ _____	Contact lens solution	\$ _____
Psychiatrist	\$ _____	Glasses/contact lenses	\$ _____
Braces/orthotics	\$ _____	Hearing exams	\$ _____
Home health care	\$ _____	Braille books	\$ _____
Hospice	\$ _____	Phone for deaf	\$ _____
Speech therapy	\$ _____	Guide dog	\$ _____
Psychotherapy	\$ _____	Special TV for deaf	\$ _____
Private nursing	\$ _____		
<b>Subtotal</b>	<b>\$ _____</b>	<b>Subtotal</b>	<b>\$ _____</b>
			<b>\$ _____</b>

