

## Flexible Spending Accounts — Frequently Asked Questions for Employers

Flexible spending accounts (FSAs) allow your employees to reduce their tax burden and increase their take home payable income, while setting aside money for eligible medical expenses. Read on to learn more about how FSAs can benefit you and your employees!

If you have questions about the FSA, you may call Member Services at 952-883-7000 or toll-free at 1-866-443-9352. TTY users can call 952-883-5127 or 888-850-4762.

*Note: This document has general FSA information. For information that is specific to your FSA plan offering, please refer to your plan document.*

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### **Q What is an FSA plan?**

**A** A flexible spending account is an employer-sponsored benefit that allows employees to set aside pre-tax dollars to pay for qualified health and dependent care expenses. An FSA is a component of a cafeteria plan (also known as a 125 plan).

### **Q Who can offer an FSA plan?**

**A** Most employers may offer an FSA to their employees. Generally, self-employed individuals, partners and subchapter S shareholders with more than 2% ownership cannot participate in an FSA. You may wish to consult your legal or tax advisor regarding your specific situation.

### **Q Who may contribute to an FSA?**

**A** Employees contribute to their own FSA through pre-tax salary reduction. Employers may also contribute to FSAs on behalf of their employees.

### **Q How much money can be contributed to an FSA?**

**A** A dependent care FSA is limited by statute to \$5,000 for a single person or married couple filing jointly, or \$2,500 for married filing separately. There is no statutory limit on how much an employee or employer may contribute to a health care FSA. The employer's plan documents must specify a maximum dollar amount or percent of salary that can be contributed).

### **Q Can the Empower FSA be offered in conjunction with any HealthPartners plan?**

**A** An FSA plan may be offered alongside any HealthPartners medical or dental plan. However, according to IRS regulations, for employees contributing to an HSA they can only enroll in a limited-use FSA which reimburses dental, vision or preventive care expenses only.

**Q What happens to the money in the FSA if I don't use it all in one year?**

**A** The IRS has a “use or lose” rule for FSAs. This rule states that you’ll lose any unused money still in your account at the end of the plan year. Your employer, however, may have a “run-out” period after the plan year ends that allows you to submit claims for eligible expenses that were incurred during the plan year. This runout period may or may not include a grace period that allows you to incur claims for up to 2.5 months after the end of the plan year, and submit them against the prior year’s balance for reimbursement. Check with your employer or plan document to determine if your plan has a run-out period or a grace period.

**Q What are eligible medical expenses?**

**A** Your health care FSA can be used to pay for a variety of health care expenses incurred by you, your spouse and your dependents. Doctor visits, chiropractor fees, prescription drug copayments, dental care and vision care not otherwise covered by a health plan are all eligible health care expenses. You may also use your FSA funds to reimburse expenses under a spouse’s health plan for copayments, deductibles or coinsurance. Eligible health care expenses are outlined in IRS Publication 502. For a list of eligible health care expenses, visit your personal page on [healthpartners.com](http://healthpartners.com) to view the Eligible Expense Table.

**Q What are eligible dependent care expenses?**

**A** Eligible dependent care expenses include in-home childcare, payments to licensed day care facilities, before or after school programs, and elder care. You may be reimbursed for dependent care expenses incurred for any individual in your family who’s under age 13 and can be claimed as a dependent on your federal income tax return, or for a spouse or dependent who’s not able to care for him or herself. These expenses must be incurred, regardless of when billed or paid, while you’re working or looking for work. Unlike a health care FSA, you’re only able to receive a reimbursement from a dependent care FSA if sufficient funds have accumulated in your account from payroll deductions.

**Q If my child turns 13 this year, can I use the dependent care account for the whole year?**

**A** No. You may only submit claims for reimbursement for expenses incurred before your child reaches the age of 13.

**Q I'm enrolled in a Health Savings Account (HSA). Can I still enroll in a health care FSA?**

**A** If you contribute to an HSA, you may only participate in a limited-use FSA. A limited-use FSA allows reimbursement of dental, vision and preventive care services only.

**Q What reimbursement options does HealthPartners offer for my employees?**

**A** The method of reimbursement depends on the type of FSA (health care or dependent care).

**Health care FSA reimbursement options:**

1. **Automatic Claims Submission:** If medical expenses are at a network provider or pharmacy, the claim is automatically submitted to HealthPartners for processing. If there is any payment responsibility from that expense, that part of the claim is sent to the FSA for reimbursement. This option is not available for limited-use FSAs.

*Note: employees may opt out of the automatic claims submission feature if they wish. Members must opt out of the automatic claims submission if either of the following is true:*

1. *They have dual health plan coverage through a spouse.*
  2. *They have a dependent covered under their health plan who does not qualify as a dependent under the federal tax code.*
2. **Manual Claim Submission:** If eligible medical expenses are outside the network or over-the-counter, complete a health care FSA claim form and send it to HealthPartners by mail or fax. Claims forms are online at [healthpartners.com](http://healthpartners.com) or you can call Member Services at 952-883-7000 or toll-free at 866-443-9352. Be sure to send documentation with your claim form.

As an alternative to automatic claims submission, you may offer an FSA debit card that automatically deducts eligible medical expenses at the point of service. In some cases, claims substantiation (such as receipts or bills) may still be required and may be sent by fax or mail to HealthPartners.

**Dependent Care FSA reimbursement option:**

- **Manual Claim Submission:** For eligible dependent care expenses, complete a dependent care FSA claim form and send it to HealthPartners by mail or fax. Claim forms are online at [healthpartners.com](http://healthpartners.com) or you can call Member Services at 952-883-7000 or toll-free at 866-443-9352. Be sure to send documentation with your claim form.

Fax: 952-883-5026  
Address: HealthPartners Service Center  
CDHP, Mail Stop 21104T  
PO BOX 1309, Minneapolis, MN 55440-1309

**Q How often are claims for reimbursement paid?**

**A** Claims are processed and paid on a weekly basis. When HealthPartners receives the claim, we take five business days to pay, pend or deny the claims. Members are typically reimbursed from their FSA within 10 to 14 days.

**Q What regulations apply to FSAs that employers need to consider?**

**A** Health care FSAs are governed by Internal Revenue Code, Section 125 when covered under a cafeteria plan, and are generally subject to ERISA, COBRA and HIPAA laws. Section 129 of the Internal Revenue Code addresses dependent care FSAs.

**Q Does HealthPartners offer the FSA grace period option?**

**A** Yes – employers may choose to allow the grace period or not. The grace period allows employees up to two months and fifteen days beyond the end of the plan year to incur expenses eligible for reimbursement from the prior year's FSA balance. In the case of a calendar year plan, the grace period may extend to March 15<sup>th</sup> of the following year. Expenses incurred between January 1 and March 15<sup>th</sup> may be reimbursed from FSA funds set aside the previous year.

**Q How does the grace period affect employees' ability to contribute to an HSA?**

**A** Recently passed legislation regarding HSA/FSA coordination allow an employee who is enrolled in a general purpose FSA with a grace period to make contribution if:

- There is no money left in the FSA at the end of the plan year, or
- The employee makes a rollover from the FSA to the HSA, then takes a distribution from the HSA in the same amount as the FSA balance that remained at the end of the plan year.

**Q Does HealthPartners administer the FSA or is it outsourced to an outside TPA?**

**A** HealthPartners administers the FSA in-house with our experience staff, who also administer our Employer HRA plan. All customer service is also provided by our own HealthPartners Member Services department.