Limited Health Flexible Spending Accounts

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Maximize your tax savings with the Limited Health Flexible Spending Account

About Limited Health Flexible Spending Accounts

Your employer offers the BESTflex Plan limited health flexible spending account (FSA), allowing you to save money on eligible vision and dental expenses through the BESTflex Plan and still make contributions to a Health Savings Account (HSA).

Participating in the BESTflex Plan standard health FSA disqualifies you from establishing or contributing to an HSA.

However, Employee Benefits Corporation offers a limited health FSA, which only reimburses dental and vision expenses and is not disqualifying health coverage.

The limited health FSA works in conjunction with an HSA, allowing you to establish and contribute to an HSA.

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Because you pay for dental and vision expenses with the pre-tax dollars in the limited health FSA, you can save more money in your HSA.

If your employer offers it, you can choose to make pre-tax HSA contributions through the BESTflex Plan as well.

Eligibility to Contribute to an HSA

To be eligible to contribute to an HSA during any month, you must:

- Be covered by an HDHP on the first day of that month. An HDHP is a health plan that meets statutory requirements for annual deductibles (other than for preventive care) and out-of-pocket expenses.
- Not be entitled to Medicare on the first day of that month.
- Not be claimed as a dependent on someone else's tax return for that year.
- Not be covered by other non-HDHP health insurance on the first day of that month–including that of a spouse. (Certain types of insurance, such as vision or dental coverage, are not considered disqualifying health insurance and can coexist with an HSA.)

Your employer may establish an HSA for you and select an HSA administrator, or you may select and open your own HSA. You can establish more than one HSA and transfer funds between accounts.

High-Deductible Health Plans

Specifically, an HDHP is a health plan that meets statutory requirements for annual deductibles and out-of-pocket expenses. The requirements do not apply to preventative care or out-of-network services if the plan has a network of providers. The requirements are as follows:

- Deductibles: In 2019, the minimum deductible under self-only HDHP coverage is $1,350. For family HDHP coverage, it is $2,700.
- Out-of-Pocket Expenses: The maximum out-of-pocket expense limit in 2019 for the HSA-compatible HDHP is $6,750 for single coverage and $13,500 for family coverage.

Disqualifying Coverage

In general, disqualifying coverage is any coverage that pays for your medical expenses before a minimum amount, set by law, is reached. That means any almost any health plan that is not an HDHP will disqualify you from contributing to an HSA; however, dental, vision, disability, accident, and long-term care coverage are not considered disqualifying.

Disqualifying coverage includes both benefit coverage you elect and coverage you might have under a plan of another person, such as a spouse or parent.

If you (or your spouse, if you're married) intend to make an HSA contribution during your BESTflex plan year, you cannot elect the standard health care FSA because it reimburses all medical expenses and is disqualifying coverage. You can elect a limited health FSA because it only reimburses eligible dental or vision expenses.

Examples of disqualifying health coverage include:

- **When you have another employer's health plan**: You will be disqualified from participating in an HSA if you are covered under your spouse's employer's health plan and it is not an HDHP.
- **When you have a Health Care FSA**: You will be disqualified from participating in an HSA if you are covered under the Health Care FSA, unless it is the limited health FSA, which only reimburses eligible dental or vision expenses.

Health Care FSA Grace Period and HSA Compatibility

You will be ineligible to make HSA contributions until the first day of the month following the end of the prior plan year's grace period if you have a balance in your standard health FSA on the last day of the prior plan year.

Health Care FSA Rollover and HSA Compatibility

Even though your plan has rollover, you will be eligible to make HSA contributions as of the first day of your new plan year if one of the following is true:

- You do not meet your employer's requirements to receive rollover from the prior plan year (see your prior plan year's *My Company Plan* for rollover requirements),
- You elect a limited health FSA in the new plan year, or
- You do not have a balance remaining in your standard health FSA on the last day of the prior plan year.

If none of the above conditions are met, you may be ineligible to make HSA contributions through the end of the new plan year.

However, if you are able to spend all of the remaining funds in your standard health FSA on only prior plan year expenses by the end of the prior plan year's runout period, you can become eligible to make HSA contributions on the first day of the month following the end of that runout period.

Examples of limited health FSA Eligible Expenses

DENTAL SERVICES	***VISION EXPENSES***
Crowns/Bridges	*Contact Lenses*
Dental X-Rays	*Contact Lens Solution*
Dentures	*Eye Examinations*
Exams/Teeth Cleanings	*Eyeglasses*
Extractions	*Laser Eye Surgeries*
Fillings	*Prescription Sunglasses*
Gum Treatments	*Radial Keratotomy/LASIK*
Orthodontia/Braces	

Please Note: *If you elect the limited health FSA, eligible medical expenses listed in your Summary Plan Description booklet are not valid.*

Differences Between HSAs and FSAs

While there may be some basic similarities between HSAs and FSAs, the two types of accounts are largely different. The following is a rundown of the primary contrasts:

- Difference #1 (Elections): You must make a Health Care FSA election before the plan year begins and this election can only be changed during the year in limited circumstances. In contrast, you can start or stop, or increase or decrease your HSA contributions at any time, as long as the change is effective prospectively (i.e., after the request for the change is received).

  When you change your HSA contributions, the change cannot take place until the next payroll.

- Difference #2 (Availability of Reimbursements): The total, annual reimbursement amount you elect under a Health Care FSA must be available when the year begins, even though your salary-reducing contributions to the Health Care FSA are made evenly throughout the year. In contrast, an HSA can pay out no more than its current balance.
- Difference #3 (Year-to-Year Carryovers): Health Care FSAs cannot carry balances over from one year to the next; you must "use it or lose it" under IRS regulations. HSA balances remain in your account until spent.
- Difference #4 (Post-Termination Reimbursements): If you terminate employment with your employer, expenses you later incur are generally not reimbursable by a Health Care FSA. (An exception applies if you elect and pay for COBRA continuation coverage under the Health Care FSA.) You own an HSA and it stays with you beyond termination of employment. You can use your HSA to pay for qualified medical expenses that are incurred at any time after establishing the HSA.
- Difference #5 (Reimbursement for Certain Premiums): Your HSA can pay your premiums for COBRA continuation coverage or health plan coverage while you are receiving unemployment compensation, qualified long-term care insurance coverage or qualified long-term care services. If you are over age 65, your HSA can also pay your premiums for Medicare Part A or B, Medicare HMO, and your share of premiums for employer-sponsored health plan coverage, including premiums for employer-sponsored retiree health insurance. Health Care FSAs cannot reimburse participants for any of the above. (Other group health insurance premiums are not reimbursable under either Health Care FSAs or HSAs.)
- Difference #6 (Claim Adjudication): You can be reimbursed under the Health Care FSA only if you provide Employee Benefits Corporation (or other administrator of the Health Care FSA) with an independent party's written substantiation, such as a bill, of the medical expense. You can be reimbursed from your HSA without providing any such substantiation to the HSA trustee or custodian; an HSA has no "administrator." But you must maintain records of your medical expenses sufficient to show that the HSA distributions were made exclusively for qualified medical expenses and are, in turn, excludable from income.

Contact Employee Benefits Corporation

Contact Employee Benefits Corporation if you have any questions about your BESTflex Plan.

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