Flexible Spending Accounts

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What Is a Flexible Spending Account (FSA)?
Federal FSA is a tax-qualified program based on the guidelines in sections 105, 125, and 129 of the Internal Revenue Code. The Flexible Spending Account for Federal Employees (FSAFEDS) offers pre-tax dollar savings for out-of-pocket health and dependent care expenses, thereby reducing your taxable income and increasing disposable income. There are no government contributions towards this program. HealthEquity, Inc. is the FSA Administrator. An administrative fee is assessed to each participating employee; however, the Department of Defense (DoD) pays this administrative fee. This employee guide reviews the three types of FSAs: Health Care FSA (HCFSA), Dependent Care FSA (DCFSA), and Limited Expense Health Care FSA (LEX HCFSA).

What Types of FSAs Are Available?
The three types of FSAs are HCFSA, DCFSA, and LEX HCFSA.

A **HCFSA** pays for qualified medical expenses not covered or reimbursed by your Federal Employees Health Benefit (FEHB) carrier or any other type of insurance. HCFSAs cannot be used to pay premiums for health insurance, life insurance, long-term care insurance or any other types of insurance premiums.

A **DCFSA** allows for payment of eligible dependent care. For example, dependent care can be used for childcare for children under age 13 or adult dependent care expenses for anyone who can be claimed as a dependent on income taxes. Eligible dependent care is defined as care that is necessary to allow an employee or their spouse to work, look for work, or attend school on a full-time basis.

A **LEX HCFSA** is only available to employees that enroll in a FEHB Program High Deductible Health Plan (HDHP) with a Health Savings Account (HSA). The LEX HCFSA is limited to eligible dental and vision expenses, and products that meet the IRS definition of medical care. Under the Internal Revenue Service (IRS) rules, HDHP enrollees with an HSA are not eligible to enroll in a general purpose HCFSA; however, employees can have both an HSA and a LEX HCFSA.

Who Is Eligible for FSAs?
Employees seeking coverage under HCFSA and LEX HCFSA are required to be an employee in the Executive Branch of the Federal government or have an appointment in another Federal agency that offers the FSA programs. Your position must offer the option for eligibility of FEHB coverage for HCFSA and LEX HCFSA even if you are not enrolled in the FEHB program.

Final regulation from the Office of Personnel Management (OPM) allows certain full-time temporary, seasonal, and intermittent Federal employees to enroll in the FEHB Program. Temporary employees and employees on seasonal or intermittent schedules who are eligible for FEHB and employed by an FSAFEDS-participating agency are now eligible to enroll in a HCFSA through FSAFEDS.

Employees in the Executive Branch and other Federal agencies that offer FSAFEDS are eligible. Your position does not have to convey eligibility for FEHB coverage to enroll in the DCFSA. An employee who works on an intermittent work schedule (6 months or less) in a calendar year is ineligible to enroll in a DCFSA.

Reemployed annuitants are eligible to participate in FSAFEDS if the appointment conveys eligibility for FEHB and he or she is working full-time.

What Is the Effective Date of Coverage?

A newly hired or newly eligible employee has 60 days from the date of his or her appointment, but no later than October 1st of the plan year to enroll in a FSA. A plan year runs from January 1st through December 31st of the same year.

If you are a new employee, your account will become effective on the day following acceptance of your election form, generally the day after you enroll. If you are a newly eligible employee due to a Qualifying Life Event (QLE), your election will be effective on the first day of the first pay period that starts after your election is approved by FSAFEDS. If you are unable to apply during this time, you can enroll during the next Federal Benefits Open Season, usually held from the 2nd Monday in November through the 2nd Monday in December each year. If you enroll during the Open Season, your account will become effective on January 1st of the following year.

What Is a Qualifying Life Event (QLE)?

A QLE is an event such as marital, dependent, or employment status change that may affect your health benefits status. If you, your spouse or dependent experiences a QLE, you have 31 days prior to or 60 days after the event to notify FSAFEDS to enroll or make a change in your HCFSA, LEX HCFSA, or DCFSA amount. For further information on QLEs, refer to the FSAFEDS website at: www.fsafeds.com

Coronavirus Aid, Relief and Economic Security (CARES) Act and the Effect on the FSA Program

The CARES Act permanently reinstates over-the-counter (OTC) medicines or drugs are eligible expenses for reimbursement under a HCFSA without a physician's prescription. These permanent changes were applied retroactively to purchases beginning January 1, 2020. Any OTC medicines or drugs purchased prior to January 1, 2020 are only eligible for reimbursement with a physician's prescription. Any items used for general health or cosmetic purpose ARE NOT eligible.

Visit the FSAFEDS website for a complete list of eligible expenses. www.fsafeds.com
HCFSA expenses are reimbursable for adult children through the end of the calendar year in which they turn age 26. The definition of a child includes any biological child, stepchild, adopted child, eligible foster child, or a child placed with you for legal adoption, even if you cannot claim that child as a dependent on your Federal tax return.

How Much Can I Contribute to Each FSA?

HCFSA – In 2023, the maximum annual amount is $3,050 **per employee**, and the minimum is $100. If a spouse is also eligible for a FSA, they may also contribute separately up to the limit of $6,100 **per household**.

LEX HCFSA – In 2023, the maximum annual amount is $3,050 **per employee**, and the minimum is $100. If a spouse is also eligible for a LEX HCFSA, they may also contribute separately up to the limit of $6,100 **per household**.

DCFSA – In 2023, the maximum annual amount is $5,000 **per household** (for married couples filing joint returns) and the minimum is $100. There is a $2,500 maximum for married couples filing separate returns.

Do I Have to Enroll Each Year?
Yes, the benefit period for HCFSA and LEX HCFSA runs from January 1 through December 31 of the same year. The plan year for DCFSA runs from January 1 of the current year through March 15th of the following year.

Can I Change My Allotments after Open Season?
If you experience a QLE you may enroll or change you current election after Open Season.

What Happens If I Am in a Non-Pay Status While on Active Duty or in a Non-Pay Status for Other Reasons?
If you go on Leave Without Pay (LWOP) or are in a non-pay status for any reason such as active duty for Absent-Uniformed Service (Absent-US) or for a QLE (such as a birth, death, divorce, adoption that would result in taking LWOP), your agency will not deduct your allotment while you are in a non-pay status. There are different options for coverage depending on whether your LWOP is based on a QLE. You may choose to prepay at an accelerated rate prior to your LWOP so there will be no interruption in your coverage period. You may also choose to freeze your account. If you freeze your account, you will not be eligible for reimbursement of any health care expenses incurred during that period until you return to a pay status and your allotments are successfully restarted. You have until midnight Eastern Time on April 30 following the end of the benefit period to submit claims for eligible health care expenses incurred prior to your period of LWOP. If you return to a pay status during the same benefit period your LWOP began, we will recalculate your allotments based on the number of pay periods remaining in the benefit period. Employees taking Absent-US due to military deployment will be considered a QLE, and you will have the option of canceling your enrollment.

What Happens upon my Return to Duty from a Non-Pay Status?
When you return to a pay status, your allotments will be recalculated across the remaining pay periods to ensure you reach your annual election amount. If there are less than five pay periods remaining in the year when you return to a pay status, your deductions will increase evenly over the number of pay periods remaining in the benefit period so that your account is paid in full on the last day of the year.

Upon your return from military duty, if your coverage has been canceled or terminated, you will need to contact FSAFEDS at their website (www.fsafeds.com), or by calling 1-877-372-3337 to inquire concerning reinstatement of your account.

What Happens at Retirement or Separation?

When you separate, the HCFSA and DCFSA are treated differently. Your HCFSA will terminate and any health care expenses incurred prior to the date of your separation will be reimbursed. Health care expenses incurred after separation will not be reimbursed. If you have used your entire elected amount before your FSAFEDS was able to deduct it from your pay, you will not be responsible for the remaining allotments.

A DCFSA can continue to be used until the remaining balance is depleted or the plan year-ends, whichever occurs first, if the expense meets the IRS eligibility requirement.

How Do I File a Claim?

A claim form can be submitted through the mail at FSAFEDS Program, P.O. Box 14127, Louisville, KY 40512 , or it can also be faxed to 1-866-643-2245 or toll free 1-877-372-3337. You can find the claim form on the FSAFEDS website (www.fsafeds.com).

How Soon Will I Receive My Money after I Submit a Claim?

In most instances, if you fax your claim form, you will be reimbursed for any expenses within five to seven business days from the time the claim is submitted. The funds are deposited in your bank account by direct deposit. If you participate in paperless reimbursement, your FEHB plan automatically forwards your claims to FSAFEDS weekly (daily if you are with Blue Cross Blue Shield or Mail Handlers). It may take up to 10 to 12 business days from the time your FEHB plan submits your claim until your funds are deposited into your account. **Please note, reimbursements are based on the date that the service was provided and not when you paid for the service.**

What Is the Deadline for Submitting Claims?
Employees that are part of FSAFEDS have until midnight Eastern Standard Time on April 30 to submit claims for expenses incurred during the previous benefit period. Your claim must either be postmarked or faxed by April 30.

If I Do Not Use All of the Money that I Have in My Account, Will I Lose the Money?
You will forfeit any amount over $610 in your HCFSA or LEX HCFSA for which a claim is not incurred by December 31 and submitted no later than April 30 of the following year. You must reenroll the following year in HCFSA or LEX HCFSA to be eligible for the $610 rollover. You will forfeit any unused balance in a DCFSA for which a claim in not incurred by March 15 and submitted no later than April 30 of the following year.