

Flexible Spending Account Allows Employees to Use Pre-tax Dollars on Health Care

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FSAFEDS is the Federal Flexible Spending Account Program available to most Federal employees in the Executive Branch and employees in several other agencies that have adopted the Program. A Flexible Spending Account, or FSA, allows you to set aside pre-tax money. You pay less taxes and therefore save money. Then you get the money back when you submit claims for eligible health care and day care expenses.

FSAFEDS offers three types of FSAs: A Dependent Care FSA, general purpose Health Care FSA, and a Limited Expense Health Care FSA.

A Dependent Care FSA (DCFSA) reimburses eligible day care expenses for your children under age 13 and your tax dependents of any age who are incapable of self-care. These expenses must be necessary to allow you and your spouse (if married) to work, look for work or attend school full-time. You, and your spouse if married, must have earned income during the year.

A general purpose Health Care FSA (HCFSA) reimburses eligible health care expenses not covered by the Federal Employees Health Benefits Program, the Federal Employees Dental and Vision Insurance Program, or any other insurance. Eligible expenses include co-payments, co-insurance, deductibles, over-the-counter medicines (with a prescription as of 01/01/2011), medical supplies, prescription drugs, vision and dental care, shipping and handling charges for mail-order prescriptions and eligible over-the-counter items, and much more.

A Limited Expense Health Care FSA (LEX HCFSA) is designed for individuals who are enrolled in or covered under a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA). Under IRS rules, you cannot enroll in a general purpose HCFSA and an HSA at the same time. But you CAN enroll in a LEX HCFSA and an HSA at the same time. A LEX HCFSA limits reimbursement to only eligible dental and vision expenses. You may review an extensive list of eligible expenses for the Health Care, Limited Expense and Dependent Care FSAs by visiting the Eligible Expenses Juke Box at www.FSAFEDS.com.

To learn more, go to www.FSAFEDS.com and be sure to come back and enroll during the Federal Benefits Open Season. You must enroll in FSAFEDS during the upcoming Federal Benefits Open Season (November 8 - December 13) to take advantage of these tax-saving accounts - even if you are currently enrolled in FSAFEDS for 2010!

The new healthcare reform legislation produces important changes to your Health Care Flexible Spending Account (FSA).

Eligible Over-the-Counter Medicines and Drugs Will Require a Prescription to be Reimbursed - Effective January 1, 2011

Beginning January 1, 2011, currently eligible over-the-counter (OTC) products that are medicines or drugs (e.g., acne treatments, allergy and cold medicines, antacids, etc.) will **not** be eligible for reimbursement from your Health Care FSA - unless - you have a prescription for that item written by your physician. The only exception is insulin - you will not need a prescription from January 1, 2011 forward. Other currently eligible OTC items that are not medicines or drugs, such as bandages and nasal strips, will not require a prescription.

Here are a few Q&As:

1. How will 2010 Grace Period incurred (January 1, 2011 through March 15, 2011) OTC expenses be handled?

It won't matter that you are using your 2010 funds - any eligible OTC medicine or drug purchased from January 1, 2011 forward will not be reimbursed unless you can provide us with a prescription written by your physician.

2. Will I be required to submit additional documentation with my claim form?

Yes. If you currently use a portion of your FSA funds for eligible OTC that are medicines or drugs, you will need to provide us with valid prescriptions for those items on January 1, 2011 and beyond.

3. I'm not sure how much I will need to elect for the 2011 Benefit Period. What should I do?

During the Federal Benefits Open Season for the upcoming 2011 Benefit Period, you should carefully estimate the amount you elect to contribute to your Health Care FSA. Once Open Season is over, you cannot change your annual election amount unless you experience a Qualifying Life Event (QLE).

How will the January 1 effective date impact my OTC spending?

The below chart provides a summary with examples.

Date of OTC Expense	Reimbursement Eligibility	Example
On or before 12/31/2010	Eligible OTC expenses for medicines and drugs do not require a prescription.	<p>Sally buys a one-month supply of Claritin on 12/21/2010.</p> <p>Her expense will be reimbursed as long as she submits her claim on or before April 30, 2011.</p>
On or after 01/01/2011	<p>OTC expenses for medicines and drugs CANNOT be reimbursed unless they are accompanied by a prescription (except for insulin).</p> <p>It does not matter if you are using your 2010 or 2011 Health Care account - OTC incurred expenses for medicines and drugs will not be reimbursed without a prescription.</p>	<p>Sally buys Claritin on 01/03/2011 but does not have a prescription for it. She will not be reimbursed for this expense.</p> <p>Sally buys Claritin on 01/03/2011 and has a prescription for it. FSAFEDS will reimburse the expense.</p>

If you have questions, call [FSAFEDS](tel:1-877-FSAFEDS) toll-free, at 1-877-FSAFEDS (372-3337), TTY: 1-800-952-0450, Monday through Friday, 9:00 a.m. until 9:00 p.m. Eastern Time, or via email at FSAFEDS@shps.com.

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