

## Flexible Spending Account (FSA) Plan

**1. When is the FSA Plan Year?**

The FSA Plan Year will align with the calendar year, running January 1 to December 31. The 2016 FSA plan year will run January 1, 2016, to December 31, 2016.

**2. When can I enroll in the FSA?**

You may enroll in the FSA during Annual Open Enrollment which will be held mid-October to mid-November as communicated each year. Outside of open enrollment, you may only enroll in an FSA within 31 days of an IRS recognized life change event.

**3. How much can I elect to contribute to my FSA?**

Elections may be made up to the standard annual contribution limits set by the IRS. **For the 2016 Plan Year, you can elect up to \$2,500 for a Health FSA and \$5,000 (\$2,500 if married but filing separately) for a Dependent Care FSA.**

**4. How does the Health FSA's grace period work?**

The grace period allows you to use any **Health FSA** balance remaining at the end of the plan year for expenses incurred during the first 2½ months of the next plan year. The amount carried over in the grace period does not count towards the contribution limit for the next plan year. All claims, including those incurred during the grace period, must be submitted within three (3) months of the end of the plan year.

**For the 2016 Plan Year, you have until March 15, 2017, to incur claims and March 31, 2017, to submit claims.**

**There is no grace period for the Dependent Care FSA. All claims must be incurred by the end of the Plan Year and submitted within 90 days.**

**5. What is a Health Savings Account (HSA)?**

An HSA is a savings account for health care costs that is available to individuals who are covered under a qualified high-deductible health plan (HDHP). Each individual is responsible for managing their own HSA through a bank acting as a custodian. Funds deposited into the account and their interest earnings are tax-deferred; funds withdrawn for qualified medical expenses are tax-free.

**6. How does a Health FSA differ from a HSA?**

There are three main differences between a Health FSA and an HSA:

- The Health FSA does not require an individual to be enrolled in an HDHP like an HSA does.
- The Health FSA has an annual contribution limit of \$2,500, significantly less than an HSA's annual contribution limit of \$3,350 for individual coverage and \$6,750 for family coverage in 2016.
- Health FSA funds that are not used within a plan year or grace period are forfeited by the employee and are returned to the District to offset plan expenses. HSA funds are owned by the employee and do not have to be used within a given plan year; they can remain in the employee's account and continue to accumulate year after year.

**7. If I choose to enroll in the HDHP during Open Enrollment for 2016, how will my Health FSA affect my HSA?**

Open Enrollment for 2016 will offer a variety of medical plans to choose from for a January 1, 2016, effective date, including an HDHP. If you elect the HDHP, you may be eligible to contribute to an HSA as long as you are also:

- Not enrolled in Medicare
- Not listed as a dependent on another person's income tax return
- Not covered by another non-HSA qualified medical plan (see below)

If you, or your spouse, participate in a Health FSA account, you are considered “covered” by a non-HSA qualified plan and as such cannot contribute to an HSA for the entire Health FSA plan year, even if your Health FSA balance has been exhausted before the end of the plan year.

Although contributing to a Health FSA disqualifies you from simultaneously contributing to an HSA, it does not disqualify you from enrolling in the HDHP. An HDHP is the medical plan whereas an FSA or HSA is a tax-advantaged account you can use to help pay for out-of-pocket expenses. You can have a HDHP with either a Health FSA or HSA **but not both**. For the reasons listed in answer #6, it is far more advantageous to pair your HDHP with an HSA than with a Health FSA.

If you wish to open an HSA for the January 1, 2016, effective date, it is important to manage your 2015 Health FSA to ensure that your HSA and Health FSA coverage do not overlap. If you are covered by a Health FSA, you are not eligible to open an HSA until the Health FSA plan year has ended. If you do not exhaust your Health FSA balance before the end of the plan year, the grace period applies and you are not eligible to open an HSA until the end of the grace period.

Therefore, if you are currently enrolled in the 2015 Health FSA you need to exhaust your 2015 Health FSA balance by the end of the plan year on December 31, 2015, in order to establish an HSA effective January 1, 2016.

If you do not exhaust the 2015 Health FSA balance before the plan year ends on December 31, 2015, you will not be eligible to establish an HSA until after the 2015 Health FSA grace period ends on March 15, 2016. If you are not eligible for an HSA for the entire plan year, it is generally prudent to prorate your HSA contribution to avoid an excess contribution.

There is no conflict between an HSA and Dependent Care FSA; you may be simultaneously enrolled in both.