

Health Care FSA Grace Period Q&A

What is a health care FSA grace period?

This feature, called a “grace period”, permits you to incur expenses for 2-1/2 months in the new plan year and use up your last plan year funds.

The health care FSA grace period is available to anyone who is a participant on the last day of the plan year.

If I have \$50 left in my health care FSA after the end of my plan year, am I able to incur new expenses and be reimbursed from the money I have left to spend?

Yes. You may incur expenses for your previous plan year through the 15th of the third month after the end of that plan year. For example, calendar year plans that end on December 31st have through March 15th to incur expenses for the prior year funds.

How long do I have to submit receipts for the previous plan year?

Your “run-out” period to submit claims for the previous plan year is 90 days after the end of the plan year. Your documentation must be postmarked, faxed or mailed by midnight of the 90th day.

What happens to the money if it is not used within the plan year plus the 2-1/2 month grace period?

Any monies not used will be forfeited.

Is the 2-1/2 month grace period also available for the work-related dependent care FSA?

No. It is only available for the health care FSA.

When receipts are submitted during the 2-1/2 month extension, which FSA dollars will be used first for reimbursement, last plan year's or this plan year's?

During the 2-1/2 month extension period:

Claims with dates of service from **last** year will be reimbursed from last year's unused amounts.

Claims with dates of service from **this** year will be reimbursed from this year's elected amount.

If at the end of the 90 day run-out period, there is still an unused balance from last year, FlexBank's system will automatically apply claims incurred during the grace period to the last plan year's remaining balance, if applicable.

For example: John is a participant in a calendar year health FSA. He has \$50 left to spend on December 31st and has the additional 2-1/2 months to incur new expenses for his \$50 balance. He has elected \$500 for the new plan year.

In January, John incurs and submits a \$90 receipt for contact lenses. This \$90 would be reimbursed from the \$500 from the new Plan year, leaving a balance of \$410.

In February, John submits another claim for a \$20 doctor office co-pay incurred in December of last year. This amount would be reimbursed from the remaining unused balance of \$50 from last year leaving an unused balance of \$30.

Further assume that John submits no further expenses during the grace period for expenses incurred in either Plan year. Shortly after the close of the grace period, FlexBank's system will re-assign \$30 of expenses incurred during this year to use up the remaining unused balance of \$30 from last year leaving him \$0 left to spend for last plan year. John's remaining unused balance from this year would then be increased from \$410 to \$440.

How does the grace period affect my eligibility to own/contribute to a health savings account (HSA)?

In general, if you, or your spouse want to be eligible to own/contribute to an HSA, you must have a zero balance in a **general purpose** health FSA by the end of your FSA plan year in order to be HSA-eligible on the first day of your new plan year. Call FlexBank to discuss in detail how the grace period may affect you.

Please contact FlexBank should you have further questions about the health care FSA grace period.

