



Limited Purpose FSA - for Individuals who Own and Contribute to an HSA

What is a Health Savings Account (HSA)?

A Health Savings Account is a bank account to which an eligible individual may contribute, on a tax-free basis, to pay for out-of-pocket medical, vision or dental expenses. HSAs are much like FSAs, but you must be covered by a very specific health insurance plan in order to open such an account.

Any adult can own and contribute to an HSA if they have coverage under an HSA-qualified “high deductible health plan” (HDHP). Generally, this is health insurance that does not cover first dollar medical expenses. The deductible must apply to all medical expenses (including prescriptions) covered by the plan. However, these plans can pay for preventive care services on a first-dollar basis. Preventive care can include routine prenatal and well-child care, child and adult immunizations, annual physicals, mammograms, etc.

Limited Purpose Health FSAs are for those who own and contribute to an HSA.

IRS regulations state that an individual contributing to an HSA may not simultaneously have a General Purpose health FSA that reimburses out of pocket medical expenses. However, HSA owners can have a Limited FSA. If you are currently contributing to, or plan to contribute to an HSA, a Limited FSA might be just what you need. The difference between a General Purpose health FSA and Limited Purpose FSA is the expenses that are eligible for reimbursement.

A Limited FSA only allows for reimbursement of dental, vision or post-deductible medical expenses.

Dental

- Cleanings
- Dentures
- Extractions
- Fillings
- Orthodontia/Invisalign
- Root Canals

Vision

- Eye Exams
- Contact Lenses
- Prescription Eyeglasses
- Prescription Sunglasses
- LASIK

Post-Deductible Medical*

- Expenses applied towards your deductible once the minimum HSA deductible has been met.
- Co-insurance after the minimum HSA deductible has been met.
- Co-pays after the minimum HSA deductible has been met.

*Post-Deductible Medical Expenses: Each year, the IRS determines the minimum deductible required for a health plan to be considered HSA-eligible. “Post-deductible” medical expenses are those incurred after this minimum HSA deductible has been met. The minimum deductible for 2018 & 2019 is \$1,350/single or \$2,700/family. This means that once an individual has incurred \$1,350 in expenses applied toward their medical deductible, they may then be reimbursed from their Limited FSA for subsequent medical expenses. Once a family has incurred \$2,700 in expenses, medical expenses may then be reimbursed from the FSA. The minimum IRS deductible is generally lower than the employer sponsored health plan deductible.

Why use a Limited Purpose FSA instead of the HSA?

- ✓ Maximize your tax-free opportunities! Set aside money in the FSA that you know you’ll use during the plan year and let the money in your HSA continue to build for future expenses.
- ✓ FSAs also permit you to withdraw your full annual election* anytime regardless of how much you have deposited to date. This gives you accessible cash to pay for your dental and vision expenses now – and pay the plan back on a per pay basis. *Orthodontia: Some employers restrict the FSA so that only those participants who are making monthly payments to the orthodontist may be reimbursed from their FSA.

Work-Related Dependent Care Account

With a Limited FSA, you may still sign up for the Work-Related Dependent Care Account. This account offers tax-free reimbursement for certain day care expenses incurred so that you and your spouse can work.

FSA Enrollment Form

When you complete the FSA enrollment form, please make sure to review the options available so that you make the right choice for your specific family situation. As a reminder, a participant may only change an FSA election due to a qualifying life event.