Department of Defense

DCPAS

Defense Civilian Personnel Advisory Service

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FLEXIBLE SPENDING ACCOUNT (FSA)

Employee Guide

April 2015

WHAT IS A FLEXIBLE SPENDING ACCOUNT (FSA)?

The Federal FSA is a tax-qualified program based on the guidelines in sections 105, 125, and 129 of the Internal Revenue Code. This program 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. ADP Benefits Services KY, 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: first, the Health Care Flexible Spending Account (HCFSA), second the Dependent Care FSA (DCFSA), and finally the Limited Expense Health Care Flexible Spending Account (LEX HCFSA).

WHAT TYPES OF FSAS ARE AVAILABLE?

There are three types of FSAs: HCFSA, DCFSA, and LEXHCFSA. The HCFSA pays for qualified medical expenses not covered or reimbursed by your Federal Employees Health Benefit (FEHB) carrier or any other type of insurance. An HCFSA cannot be used to pay for health insurance, life insurance, long term care insurance or any other types of insurance premiums.

A DCFSA allows you to pay for eligible dependent care, for example childcare when children are under age 13 or adult dependent care expenses that are necessary to allow you or your spouse to work, look for work, or attend school on a full-time basis or anyone who you claim on your income tax as a dependent.

A Limited Expense Health Care Flexible Spending Account (LEX HCFSA) is only available to an employee who enrolls 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 only, and products that meet the IRS definition of medical care. Under Internal Revenue Service (IRS) rules, you are not eligible to contribute to the HSA program and be enrolled in a Flexible Spending Account Program (FSAFEDS) general purpose HCFSA at the same time.

WHO IS ELIGIBLE FOR FSAS?

An employee seeking coverage under HCFSA and LEX HCFSA is 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 even if you are not enrolled in the FEHB program.

A final regulation from the Office of Personnel Management (OPM) allows certain full-time temporary, seasonal, and intermittent Federal employees to enroll in the Federal Employees Health Benefits (FEHB) Program.

As a result, 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 health care flexible spending account through FSAFEDS.

For a DCFSA, an employee in the Executive Branch and other Federal agencies that offer the FSA program is 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.

A reemployed annuitant is eligible to participate in the Federal FSA programs 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 March 15th of the following 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 Monday of the 2nd full workweek in November through the Monday of the 2nd full workweek 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 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 FSA website at: https://www.FSAFEDS.com/FSAFEDS/summaryofbenefits.asp

CHANGES UNDER THE PATIENT PROTECTION AND AFFORDABLE CARE ACT, (PPACA), PUBLIC LAW 111-14 AND THE EFFECT ON THE FSA PROGRAM

The Affordable Care Act established a new uniform standard for medical expenses from January 1, 2011 forward. Over-The-Counter (OTC) products that are medicines or drugs (e.g., acne treatments, allergy and cold medicines, antacids, etc.) are not be eligible for reimbursement from the employee's HCFSA – **unless the employee has a prescription for that item written by his or her physician or an individual who is legally authorized to issue a prescription in that state.**

The only exception is insulin – which does not require a prescription.

Over-the-counter (OTC) products that **are not** medicines or drugs are reimbursable under a Health Care Flexible Spending Account (HCFSA) or Limited Expense Health Care Flexible Spending Account (LEX HCFSA) (dental and vision expenses only) without a prescription when the OTC product is used for medical purposes. This includes items such as sunscreen, bandages, and contact lens solution. Please visit the FSA website for a complete list of eligible expenses https://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. This is not the same definition of child eligibility used under FEHB.

HOW MUCH CAN I CONTRIBUTE TO EACH FSA?

HCFSA –The maximum annual amount is $2,550 and the minimum is $100, or $2,550.

LEX HCFSA- The maximum annual amount is $2,550 and the minimum is $100, or $2,550.

DCFSA –The maximum annual amount is $5,000 for single individuals or married couples filing joint returns; $2,500 for married couples filing separate returns.

DO I HAVE TO APPLY FOR COVERAGE EACH YEAR?

Yes, you must apply for a HCFSA, DCFSA, and LEXHCFSA each year during the open season. The benefit period runs from January 1st of the current year through March 15th of the following year.

CAN I CHANGE MY ALLOTMENTS AFTER OPEN SEASON?

Allotments can only be changed during the Federal Benefits Open Season or if you have a QLE.

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-U S 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 (www.FSAFEDS.com) on the web, or you may call them at 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 regular mail at FSAFEDS Program, P.O. Box 36880, Louisville, KY 40233, or express mail to SHPS, Attn: FSAFEDS Program, 11405 Bluegrass Parkway, Louisville, KY 40299, or it can also be faxed to 502-267-2233 or toll free 1-866-643-2245 outside the United States fax 1-502-267-2233. You can find the claim form on the FSAFEDS website at https://www.fsafeds.com/fsafeds/download.asp

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 via direct deposit. **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?

You have until 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?

Important Note: You will FORFEIT any money that you do not use in your account(s) by the end of the Benefit Period. This is known as the "use or lose" rule.

The Internal Revenue Service (IRS) changed the FSA forfeiture rule (use-or-lose rule) by allowing carryover for health care FSAs. FSA programs can now allow their participants to carry over up to $500 of unused health care FSA funds from one plan year to the next.

Beginning with the 2015 Benefit Period, the FSAFEDS carryover allows you to bring up to $500 of unspent funds into the following year when **you re-enroll** in a HCFSA or LEX HCFSA.

The FSAFEDS Grace Period for a DCFSA provides you with an additional 2 1/2 months (January 1 to March 15) to incur for dependent care expenses against your prior year's account. You have until midnight Eastern Time on April 30 following the end of the Benefit Period to file claims for reimbursement for eligible expenses incurred during the previous Benefit Period. We encourage you to carefully plan how much money to contribute to your account(s).