

A FEDERAL EMPLOYEES GUIDE TO THEIR FEDERAL FLEXIBLE SPENDING ACCOUNT

Fall is definitely in the air and winter is not too far behind which means, for Federal employees, a chance to enroll in or renew an incredibly useful but underutilized benefit called the **Federal Flexible Spending Account Program or FSAFEDS**. Even if you have used FSAFEDS in the past you still **must enroll again during this year's open season** since, unlike some benefits, FSAFEDS **does not automatically renew each year**.

However, whether you are a seasoned pro who knows exactly what FSAFEDS is or a new federal employee just learning the ropes, there is a lot to this unique and valuable "savings" account to understand. This information will not only provide you with the ability to properly allocate money for uncovered medical expenses but ultimately - save you money as well. With that being said, we, at Federal Employee Benefits Advocates, LLC have taken some time to list a few of the most common questions we get about FSAFEDS and to elaborate, providing you with the most up-to-date information available.

FIRST ASK YOURSELF:

"What is the Federal Flexible Spending Account Program (FSAFEDS)?"

FSAFEDS is a program which allows you to save money for health and care expenses that are not covered by your FEHB Plan, the Federal Employees Dental and Vision Insurance Program, or other health insurance coverage. There are three options for you to choose from: Health Care, Limited Expense Health Care or Dependent Care FSA (see details on each of these below). Essentially, an FSAFEDS is a savings account, with money coming right out of your paycheck, designated to help you pay for items that typically aren't covered by your FEHB Plan: deductibles, co-pays, out-of-pocket expenses and even elderly and/or childcare costs. Which means, if you have young children or are caring for an aging loved one, this program should be of particular interest to you because it is a smart, tax-free way to set aside money to pay for the upcoming costs of care you know you will have.

If this sounds good so far, remember, the time in which you can enroll is limited so be aware of the upcoming deadlines, lest you miss your opportunity to take advantage of the FSAFEDS. Eligible employees can enroll in FSAFEDS each year during the FEHB Open Season. **This year that open enrollment period is November 12th to December 10th, 2018.**

Contributions are made directly from bi-weekly pay on a pre-tax basis. New and newly eligible employees who wish to enroll in this program must do so within 60 days after they become eligible, but before October 1 of the calendar year. Retirees are not eligible to participate in the FSA program.

NEXT

"How does it work?"

The answer to this is a bit more complicated since there are three different Flexible Spending Accounts plans available. However, we have outlined the key details of each option below to help you glean the most benefit from the information available to you.

HEALTH CARE FSA (HCFSA)

With a Health Care FSA, you use pre-tax dollars to pay for qualified out-of-pocket Health Care expenses. The money you contribute to a Health Care FSA is not subject to payroll taxes, so you end up paying less in taxes and taking home more of your paycheck.

- Used to pay for eligible medical, dental, and vision care expenses not covered by the plans
- Co-pays, co-insurance, and deductibles
- Professional services: physical therapy, chiropractor, and acupuncture
- Prescription drugs, insulin, and prescribed over-the-counter medicine
- Over-the-counter health care items: bandages, pregnancy test kits, blood pressure monitors, etc.
- Can contribute up to a maximum of \$2,650 (2019)
- Access the full amount of your account on day one of the plan year
- Can carry over up to \$500 from one plan year to the next
- Can be reimbursed by check or direct deposit into checking or savings account

LIMITED EXPENSE HEALTH CARE FSA (LEX HCFSAs)

If you're enrolled in an HSA-qualified high-deductible health plan and have a Health Savings Account (HSA), you can increase your savings with a Limited Expense Health Care FSA (LEX HCFSAs). This pre-tax benefit account helps you save on eligible out-of-pocket dental and vision care expenses while taking advantage of the long-term savings power of an HSA.

- Used to pay for eligible dental, and vision care expenses not covered by the plans
 - Co-pays, co-insurance, and deductibles
 - Vision exams, LASIK surgery, contact lenses, and eyeglasses
 - Dental cleanings, X-rays, fillings, crowns, and orthodontia
- Can contribute up to a maximum of \$2,650 (2019)
- Access the full amount of your account on day one of the plan year
- Can carry over up to \$500 from one plan year to the next
- Can be reimbursed by check or direct deposit into checking or savings account

DEPENDENT CARE FSA (DCFSAs)

A Dependent Care FSA (DCFSAs) is a pre-tax benefit account used to pay for eligible dependent care services, such as preschool, summer day camp, before or after school programs, and child or adult daycare. It's a smart, simple way to save money while taking care of your loved ones so that you can continue to work.

- With a Dependent Care FSA, you use pre-tax dollars to pay qualified out-of-pocket dependent care expenses for your child who is under age 13
 - Before and after school care
 - Daycare, nursery school, and preschool
 - Babysitting and nanny expenses
 - Summer day camp
- Care for your spouse or a relative who is physically or mentally incapable of self-care and lives in your home, can contribute to up to a maximum of:
 - \$2,500 per year if you are married and file a separate tax return (2019)
 - \$5,000 per year if you are married and file a joint tax return or if you file as single or head of household. Both cannot claim \$5,000 (2019)
- When the account has the funds, you can use your balance to pay for eligible expenses
- Can only use the funds that are available in the account, not the entire election amount
- Funds must be used by March 15th, 2020 or lose it and claims must be submitted by April 30, 2020

This question can be tricky because so much of it depends on the individual, the family, FEHB plan selected, the Dental or Vision plan selected and frankly, personal preference. The amount varies based on other factors too such as, your plan copayments, deductibles, out of pocket expenses, prescription drug needs and upcoming medical or dental procedures.

A good starting point is to look at your last two years of uncovered expenses. This information is found on your Explanation of Benefits (EOBs) from your insurance providers (medical, dental, vision). These can be obtained on the carrier's website or by contacting the carrier directly. Add up the two years of uncovered expenses and subtract out any extraordinary expenses, i.e. broken foot. Then divide by 2. After you get that figure, add in any expenses for procedures you have planned for the upcoming year, i.e. Lasik surgery. If you are unsure you can always just contribute \$500 for the first year. The reason we encourage you to contribute \$500 regardless is because, even if you don't use that money, you are allowed to carry over up to \$500 from HCFSAs or LEX HCFSAs to the next year-- although you must re-enroll each year. This \$500 allows you to take advantage of the tax savings each and every year even if you have no additional health care expenses.

THE FINAL QUESTION TO ASK IS:

**"How do I calculate
how much to contribute
to the FSA?"**

As a rule, you can't change your Health Care FSA (HCFSAs), Limited Expense Health Care FSA (LEX HCFSAs), or Dependent Care FSA (DCFSAs) election amount during a benefit period (the plan year). Which is why it's important to plan an election that suits your needs for your entire benefit period. However, should your circumstances change there are exceptions made for "qualifying life events" (QLEs) which allow you to make changes. These exceptions include: marriage, death, birth, divorce, legal separation and adoption.

For more details on eligible expenses or to enroll in a plan go to the Federal Flexible Spending Account Program (FSAFEDS) website at www.fsafeds.com.



K. Shawn McCoy is the President and Founder of Federal Employee Benefits Advocates, LLC (FEBA) an educational company specializing in Federal Employee Benefits. Mr. McCoy is an expert on Federal employee benefits and over the last decade has spoken to over 18,000 Federal employees. For more details about the programs offered by FEBA, check their website www.febadvocates.com.