

## General-Purpose vs. Limited Purpose Health FSA

There are two types of **health** Flexible Spending Account (FSA): general-purpose health FSA and limited-purpose health FSA.

- The traditional, **general-purpose** health FSA allows you to be reimbursed for eligible medical, prescription, dental, and vision care expenses incurred during the benefit plan year (July 1 – June 30).
- The **limited-purpose** health FSA allows you to only be reimbursed for dental and vision care expenses incurred during the benefit plan year (July 1 – June 30).

According to IRS regulations, Health Savings Account (HSA) participants are NOT eligible to participate in a general-purpose health FSA. However, HSA participants can enroll in the limited-purpose health FSA.

### Additional Information on Limited-Purpose Health FSA

#### **What is a limited-purpose health flexible spending account (FSA)?**

A limited-purpose health flexible spending account (FSA) is much like a traditional, general-purpose health FSA. It's an account you elect to set aside pre-tax dollars to pay for certain health care expenses. Unlike a general-purpose health FSA, however, funds in a limited-purpose health FSA can only be used to pay for qualifying dental, vision and orthodontia expenses. It is set up in this way so that it can be used alongside a Health Savings Account (HSA).

Other than the restriction of eligible expenses to vision, dental and orthodontia, the rules governing the limited-purpose health FSA are the same as those that apply to the general-purpose health FSA—same maximum, same use-or-lose rule, same claim filing deadline.

#### **What is the advantage of participating in a limited-purpose health FSA?**

Per IRS regulations, you may not contribute to a HSA if you are covered by any non-qualifying health plan, including a general-purpose health FSA. By limiting health FSA reimbursements to dental and vision care expenses, you remain eligible to participate in both a limited-purpose health FSA and a HSA. Participating in both plans allows you to maximum your savings and tax benefits.

Also you can withdraw your full annual health FSA 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 throughout the benefit plan year.

#### **What expenses are eligible under a limited-purpose FSA?**

A limited-purpose health FSA covers qualified out-of-pocket expenses for dental and/or vision care provided to you, your spouse, or dependents. Typical eligible expenses include:

- Dental and vision deductibles and copays
- Dental cleaning
- Dental x-rays, fillings, crowns and other orthodontia work
- Dentures
- Vision exams and screening tests
- Vision correction procedures
- Contact lenses and contact lens solution
- Eyeglasses

### **What expenses are not covered under a limited-purpose health FSA?**

Expenses that are not approved are called “ineligible expenses.” Ineligible limited-purpose health FSA expenses include:

- Medical expenses, including deductibles, coinsurance, and copays
- Prescription medicines
- Over-the-counter medicines and items
- Medical equipment
- Cosmetic procedures
- Expenses for services incurred after the coverage period ends
- Expenses reimbursed by an insurance provider or other health plan
- Personal use items, such as toothpaste, razors, and shampoo
- Dental whitening procedures and kits
- Insurance premiums

These are only a few of the examples of expenses that aren’t covered by a limited-purpose health FSA.

### **What happens if I have funds in the general purpose health FSA at the end of the benefit plan year and elect a limited-purpose health FSA for the new benefit plan year?**

Up to \$500 of unspent general purpose health FSA monies will automatically carry over to the new benefit plan year. During the run-out period (90 days following the end of the benefit plan year), you may be reimbursed for eligible medical, prescription, dental and vision expenses **incurred prior to the end of the previous benefit plan year**, up to the carry over amount. After the run-out period, any unspent carry over funds will be applied to your limited-purpose health FSA account.

### **Here are some other IRS rules you should know about health FSAs:**

- **No double-dipping** – Expenses reimbursed under your limited-purpose health FSA cannot be reimbursed under any other plan or program – including an HSA. Only your eligible out-of-pocket expenses may be reimbursed. Plus, expenses reimbursed under the health FSA may not be deducted when you file your tax return.
- **Timing is everything** – FSAs have a start date and an end date, and the time in between is called the benefit plan year. Expenses must be incurred during the FSA benefit plan year. As noted in IRS guidelines, expenses are incurred when you (or your spouse or dependents) are provided with the vision or dental care that gives rise to the eligible expenses, and not when you are formally billed, charged for, or pay for the services. This means the date of service must be within the current benefit plan year.