Healthcare FSA - Tax Advantaged Account

A Healthcare Flexible Spending Account (FSA) offers a valuable way for employees to save on rising healthcare costs by setting aside pretax funds for eligible healthcare expenses.

Healthcare FSAs are among the nation's leading employer-sponsored benefit programs. Both employer and employees save payroll taxes for each and every dollar that is contributed. This is the easiest way for employees to take advantage of tax-free dollars for eligible health, dental, and vision expenses.

Participant Benefits	Employer Benefits
Save an estimated 30% on healthcare expenses each year.	Reduce FICA/Payroll taxes by 7.65% for every pretax dollar employees contribute.

How the plan works...

Eligibility

An employer must offer group health insurance to offer a Healthcare FSA.

- Employees must meet the eligibility requirements of the employer's plan to be eligible to participate.
- Self-employed individuals (partners, sole proprietors, more-than-2% shareholders in a sub-chapter S Corp and independent contractors) are ineligible to participate.

Enrollment

Eligible employees typically enroll during the annual enrollment period. Mid-year enrollments are possible when eligibility requirements (ex. new hire or qualifying event) are met.

- Mid-year enrollment is possible when eligibility requirements are met. Requirements like:
  - Newly hired employee
  - Employees with status changes/qualifying events

Funding

Healthcare FSAs are funded by pre-tax payroll deductions.

Employee Contributions	Employer Contributions
IRS sets maximum election amounts. (Employers can set lower amounts.) The IRS may change this limit from year to year. For Healthcare FSAs, spouses can each contribute to their own Flexible Spending Account up to their maximum amount, even if the husband-and-wife work for the same employer.	Clients who wish to contribute to their HFSA benefit may choose one of the following options for their plan: • A flat contribution, up to $500, to each participant HFSA account. • A dollar-for-dollar match to each participant's annual HFSA election.

Annual Elections

At enrollment, participants choose an annual election amount. This is the amount they want to contribute to the healthcare FSA for the year. The annual election amount is divided across the number of paychecks throughout the year.

Uniform Coverage Rule: IRS regulations allow for the participant's full annual election for medical out-of-pocket expenses to be available on the first day of the plan year, regardless of contributions made by the participant.

Eligible Expenses

Eligible Section 213(d) healthcare expenses are covered as determined by employer. Typically, all medical expenses (co-pays, deductibles, prescriptions, medical supplies, vision, dental, etc.) that insurance does not cover can be reimbursed by an FSA. Medical FSAs got a lot more flexible with the passing of the 2020 Cares Act. Over the counter (OTC) medications as well as menstrual products are eligible under medical FSAs.

Verification

Participants do need to submit verification with their requests for reimbursement. Non-covered medical services require a letter of medical necessity. Through TASC technology, we have an auto-substantiation rate of 98%, meaning that 98% of claims will not need additional documentation.

Plan Design Options – Summary Plan Description (SPD) Required

Money not used at the end of the plan year is forfeited to the plan, unless Carry Over or a Grace Period and Runout are elected by the employer. See below.

Runout Period	Carryover (optional)	Grace Period (optional)
Runout allows for participants to submit claims with a date of service (DOS) from the previous plan year. Elected by the employer, most commonly set to 90 days from the end of the plan year.	Determined by the employer, allows up to IRS carryover limit or the remaining balance from the previous plan year, whichever amount is less, to be added to the new plan year election. (Employer does not have to allow the full IRS carryover limit but cannot exceed it.)	Determined by the employer, this provides a period of time after the plan year to continue to use funds from the previous plan year for current expenses. Essentially an extension of the plan year and cannot be offered with the Carryover option.

How does TASC differ from the competition?

- We offer unique funding arrangements
- Debit cards **never** turn off for lack of substantiation
- Our auto substantiation rate is higher than other TPAs
- We offer EDI integration with HRIS/ Payroll partners for **NO** additional fee
- Annual non-discrimination assessment included
- Summary Plan Descriptions (SPD) are automatically created