Limited Purpose Healthcare FSA (LPFSA) – Tax Advantaged Account

A Limited Purpose Healthcare FSA (LPFSA) is a healthcare spending account that can only be used for eligible vision and dental expenses. Unlike a Healthcare FSA, a LPFSA can be held at the same time as a Health Savings Account (HSA).

A LPFSA works with a Health Savings Account (HSA). Participants who are enrolled in an HSA may no longer participate in a full-coverage Healthcare FSA. Instead, they are eligible for a Limited-Purpose Healthcare FSA.

Participant Benefits	Employer Benefits
Contribute pretax to Limited Purpose FSA which reduces taxable income and increases take home pay.	Contribute pretax to FSA which reduces taxable income and increases take home pay.

How the plan works...

Eligibility

An employer must offer group health insurance to offer a Limited Purpose 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

Limited Purpose 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 Limited Purpose 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 Limited Purpose HFSA benefit may choose one of the following options for their plan: • A flat contribution, up to $500, to each participant Limited Purpose 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 Limited Purpose 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

Limited Purpose FSAs cover eligible dental and vision expenses as determined by the employer.

Verification and Disbursements

Participants do not 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. Participants can use their TASC card or request a reimbursement online, through the mobile app, or via paper form (mail or fax).

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