

FAQs on LIMITED-PURPOSE MEDICAL FSA

1. What is a limited-purpose medical flexible spending account (FSA)?

A limited-purpose medical FSA is identical to a general-purpose medical FSA, except that the qualifying medical expenses are limited to dental, vision, and preventive care expenses (see eligible expenses on next page).

2. Why is my employer offering a limited-purpose medical FSA?

Your employer is offering an HSA-qualifying high-deductible health plan (HDHP) for employees who want to open and contribute to an HSA. While contributing to an HSA, you must be enrolled in an HDHP, and you may not have any coverage that is not an HDHP. A general-purpose medical FSA is considered non-HDHP coverage, but a limited-purpose medical FSA is not. Therefore, a limited-purpose option is offered so you may contribute to an HSA. Benefits are limited to dental, vision, and preventive care as of the first day of the plan year you are covered by the medical FSA.

3. If I meet my deductible under the HDHP, may I use my medical FSA for any IRS-qualifying expense?

Yes. Once you have satisfied the HDHP deductible for a plan year, you may submit expenses to your medical FSA for any IRS-qualifying expenses for the remainder of the plan year. Please see your flex plan document for a list of those expenses.

4. What if my medical FSA has a grace period?

If you have a \$0 balance in your medical FSA as of the last day of the plan year, you are still HSA eligible, notwithstanding the grace period. Your balance at year-end is determined on a cash basis, taking into account only those expenses that have been incurred and paid as of year-end. Pending claims, claims submitted, claims received, or claims under review that have not been paid as of year-end are not taken into account when determining your year-end FSA balance. If you have a balance in your medical FSA, you may open and contribute to an HSA on the first calendar month after the end of the grace period.

5. What if my medical FSA has a \$500 carryover provision?

If you switch from a non-HDHP to an HDHP for the coming plan year because you plan to begin HSA contributions, any amounts eligible to be carried over to than next plan year must be applied to the limited-purpose medical FSA.

6. Will I still be able to contribute the maximum allowed amount to my HSA if I have to wait until the first calendar month after the end of the grace period?

Yes. If you are HSA eligible for only a portion of the year, you may make a full year's worth of HSA contributions. For example, if you open your HSA on April 1, you may still contribute up to the statutory amount to your HSA.

7. What if my employer offers an HDHP option midyear, and I am enrolled in a general-purpose medical FSA?

You will not be eligible to open and contribute to an HSA until the next plan year begins, and you enroll in the limited-purpose medical FSA.

8. May I change my election to a limited-purpose medical FSA so I may enroll in the HDHP midyear and open an HSA?

No, this change is not permissible under the IRS regulations unless you have a change in status (e.g., marriage, divorce, birth of a child). The HDHP election alone does not permit a change or revocation of the FSA coverage.

Eligible Limited-Purpose Medical FSA Expenses	
Dental Expenses	
Anesthesia	Orthodontia (braces, retainers)
Bridges	OTC products*
Cleanings	Pain medicine
Coinsurance	Reconstruction/Implants
Co-payments	Root canals
Crowns	Sealants
Deductibles	Surgery
Dentures	Taxes on services/products
Diagnostic services	Telephone consultation
Exams	Toothpaste (medicated; cost difference)
Fillings	Veneers*
Medical records charges	X-rays
Occlusal guards	
Vision Expenses	
Anesthesia	Lasik
Coinsurance	Medical records charges
Contact lenses and solutions	Optometrist/Ophthalmologist fees
Co-payments	Orthokeratology/Ortho keratotomy
Deductibles	Radial keratotomy
Diagnostic services	Reading glasses (OTC)
Equipment/Materials	Special schools
Exams	Sunglasses*
Eye drops/treatments*	Surgery
Eye patch	Surgery/Treatment to correct vision
Glasses and care/repair supplies	Taxes on services/products
Guide dog (dog, training, care)	Telephone consultation
Laser surgery	TV modifications
Preventive-Care Expenses	
Acupuncture*	Immunizations
Annual physicals, including OB/GYN	Insulin and supplies
Aspirin	Iron tablets for anemia*
Braille books and magazines (cost difference)	Medical alert bracelet/necklace
Christian Science practitioner*	Medical records charges
Diabetic equipment/supplies	Prenatal vitamins*
Diagnostic tests (MRI, X-ray, ultrasound, lab)	Preventive drugs*
Educational classes*	Screening services
Exercise equipment/programs*	Smoking-cessation products
Fluoride device/treatment*	Sunscreen SPF 30 or higher
Holistic/Homeopathic practitioners*	Taxes on services/products
Home diagnostic tests/kits (BP, cholesterol, diabetes, colorectal cancer, HIV, warranty)	Telephone consultation
Hot/Cold pack	Transportation to receive eligible care
Hypnosis*	Weight-loss products*

*Medically necessary/doctor prescribed