

FSA

FREQUENTLY ASKED QUESTIONS

1 What is a Flexible Spending Account (FSA)?

An FSA is an employer-sponsored account that lets you set aside a portion of your paycheck—before taxes—to pay for eligible health and/or dependent care expenses. Contributions are exempt from federal income tax, Social Security (FICA) tax, and, in most cases, state income tax. Funds can be used for qualified expenses incurred while you're actively participating in the plan.

2 Does a Healthcare FSA replace my current healthcare plan?

Not at all. A Healthcare FSA is not insurance. It's a tax-advantaged account that allows you to use pre-tax dollars to pay for eligible out-of-pocket expenses that aren't covered by your insurance.

3 Who can put money in my FSA?

FSAs can be funded by both you and your employer, although employer contributions are uncommon.

4 When does my FSA become effective?

Your FSA becomes effective **on the date you enroll**. Unlike other plans, an FSA does **not** start on your hire date. Contributions to your account will start as soon as administratively possible after that.

5 How do I participate in an FSA?

To participate, you must enroll within 31 days of your hire date or during the annual Open Enrollment period. If you experience a qualifying life event (such as the birth or adoption of a child), you may also be eligible to enroll outside of Open Enrollment—provided you do so within 31 days of the event.

6 How much can I contribute to my FSA?

You can contribute up to **\$3,400** per individual, per year. If both you and your spouse are eligible and each maintain a separate Healthcare FSA through your respective employers, your household can contribute up to **\$6,800** annually. Contribution limits are set by the IRS and may vary by tax year.

7 What type of flexible spending plans are there?

Healthcare FSA: Covers eligible medical, prescription, dental, and vision expenses.

Limited Purpose FSA: Designed to work alongside a qualified High-Deductible Health Plan (HDHP) and Health Savings Account (HSA). It only allows reimbursement for eligible vision and dental expenses.

Dependent Care FSA: Covers dependent care expenses, including daycare, nursery school, and day camp for children, as well as services for adult dependents who cannot care for themselves.



8 What does it mean to incur expenses?

The IRS considers expenses to be “incurred” when you receive medical or dependent care—not when you’re billed or make a payment. Only eligible expenses incurred during the plan year, including any employer-allowed grace period, are reimbursable.

9 Who qualifies as an eligible dependent?

An eligible dependent is one for whom an employee pays a provider to provide care while the employee is working or looking for work. The dependent must be under age 13 or unable to care for themselves and must live in the employee’s home for more than half the year.

10 How often can I request reimbursements?

Reimbursements can be requested as often as qualified expenses are incurred. Expenses must be incurred during the plan year, and reimbursement requests must be submitted before the end of the run-out period (or grace period, if applicable).

11 What types of documentation are acceptable for reimbursement?

IRS-required documentation for Healthcare FSA expenses must include a third-party receipt or an Explanation of Benefits (EOB) that shows:

- Date of service or purchase
- Type of service or item purchased
- Amount charged (after insurance, if applicable)
- Name of provider
- Name of patient

Acceptable examples include EOBs from your insurance provider or itemized statements from your healthcare provider.

12 Can I change or stop my FSA contributions during the year?

Federal regulations state that once you enroll in an FSA, you cannot change your election amount unless you experience a qualifying life event. Your employer can provide you with a list of permitted change events.

13 What happens to my FSA if I terminate employment?

FSA participation ends when your employment terminates. Only expenses incurred before your participation ends are eligible for reimbursement. You must submit those claims within the plan’s designated “run-out” period.

14 What is the “run-out” period?

The “run-out” period is a set amount of time after the end of the plan year—or after your termination from the plan—during which you can submit claims for eligible expenses incurred while you were covered. It does *not* allow for new expenses to be incurred.

Example: If your plan includes a 90-day run-out period, you’ll have 90 days from your termination date to submit claims for expenses incurred before that date.

15 Once I enroll, does my enrollment continue through the next year?

No, FSA enrollment does not carry over year to year. FSAs are regulated by the IRS, and your contributions automatically end on December 31. To participate in an FSA for the next calendar year, you must re-enroll during your annual benefits open enrollment period.



16 What if I have money left in my FSA at year-end?

Your employer may offer one of the two options listed below:

- **ROLLOVER:** On October 31, 2013, the U.S. Department of Treasury updated its policy on unused FSA funds. You can now roll over up to \$680 of unused funds into the next plan year. This change makes enrolling in an FSA more flexible and less risky. You can use your funds for eligible out-of-pocket healthcare expenses when you need them, without feeling pressured to spend down your balance unnecessarily at year-end or during the grace period.
- **GRACE PERIOD:** The FSA Grace Period gives you an additional 2 ½ months after the end of the plan year to use any remaining funds in your Medical or Limited Purpose FSA. For the 2026 plan year, this means you have until March 15, 2027, to incur eligible expenses. This extension effectively makes your 12-month plan year feel more like 14 ½ months, reducing the risk of forfeiting unused funds.

Eligibility for the Grace Period

Only participants who are actively enrolled in an FSA through December 31, 2026, can take advantage of this grace period and incur expenses through March 15, 2027, against their 2026 balance.

How Claims Are Applied

Claims for services provided between January 1, 2026, and March 15, 2027, will automatically be applied to your 2026 FSA balance first—as long as they are submitted by the claims filing deadline for the 2027 plan year. If a claim exceeds your available 2026 balance, any remaining amount may be processed using other available plan year funds, if applicable.

17 How much will I really save in taxes by contributing to an FSA?

Generally, contributions to your FSA are exempt from federal and Social Security taxes, and in most cases, state taxes as well. Your actual savings depend on:

- The amount you contribute to your FSA
- Your tax bracket (the percentage of tax you would normally pay on that money)

For example, if you contribute \$2,000 to your FSA, that amount is deducted from your paycheck before taxes, reducing your taxable income by \$2,000. If you normally pay 30% in combined federal, Social Security, and state taxes, you could save \$600 in taxes on that \$2,000 contribution.

18 If I change plans, will I receive a new MEDSURETY debit card, and how does the card know which account to use?

You'll continue to use the same MEDSURETY debit card even if your plan type changes. The card is "smart" and automatically updates with your new plan each year. When a new account (such as an FSA or HSA) becomes active, it's added to your existing card, and any old plan is automatically deactivated. Your MEDSURETY card remains valid until its expiration date—there's no need for a new one unless it expires or a replacement is requested.

MEDSURETY SUPPORT INFO:

If you have any further questions about your account, please contact us:

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