CAPROCK
HEALTHPLANS
A Division of Caprock Health Group

Frequently Asked Questions
About Flexible Spending Accounts (FSAs)

What is a Flexible Spending Account (FSA) and how does it work?

A Flexible Spending Account allows you to set aside pre-tax dollars from your paycheck to cover eligible healthcare expenses. Your employer may call an FSA by any number of other names, such as a reimbursement account, Section 125 or Cafeteria Plan. They are, in effect, all the same.

What is a pre-tax contribution?

Contributions - also referred to as elections - to an FSA are made on a pre-tax basis. This means your contributions are taken from your paycheck before Federal, Social Security (FICA) and most state and local taxes are withheld. Each pre-tax dollar you contribute to an FSA lowers your current taxable income, so you end up reducing the current Federal income tax that you pay. In most cases, you'll also pay lower state and local income taxes

Do I need to enroll to participate in an FSA?

Yes, you must enroll if you want to participate in an FSA. To continue participating after your initial enrollment, you must re-enroll each year during Open Enrollment. Your contributions (the dollar amount you deduct from your paycheck to put in your FSA) do not automatically continue from one year to the next.

How do I contribute to an FSA?

You fund your FSA with pre-tax dollars deducted from your paycheck in equal installments throughout the year. Your plan document will define both minimum and maximum contribution amounts.

When may I change my FSA?

You may change your FSA contributions each year during Open Enrollment. Your plan may also allow you to change your contribution amount during the year if your situation changes due to a "qualifying life event" such as marriage, death, birth, adoption and divorce.

What happens to contributions left in my FSA at the end of the plan year because I didn't file claims against them?

Because of the favorable tax treatment provided by the FSA, government regulations require that the money you contribute to your FSA only be used for eligible expenses incurred during that Plan Year. You may, however, submit claims incurred during the prior Plan Year up to 60 days (or 90 days, if your Plan allows) following the end of the Plan Year. Any money left in your account after the claims filing deadline is forfeited. You cannot use one Plan Year's contributions for the next Plan Year's expenses.

What happens to an FSA if I term my employment during the plan year?

Your contributions to your FSA account will stop. You may continue to submit for reimbursement for services with dates prior to your term date until the claims filing deadline as specified in your plan.

How do I estimate my Medical FSA contributions?

To estimate your future expenses, first review similar expenses you've had over the last couple of years. Also consider any changes to your healthcare needs that you expect may occur during the year. It's important to carefully estimate your expenses before you decide how much you want to contribute to the FSA each year. The first time you participate in an FSA, try to be conservative in your estimate since you forfeit (lose) any balance that isn't used by the claims filing deadline. On the other hand, if your expenses dramatically exceed the amount you contribute to the FSA, you miss out on some tax savings.

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