

***FAS***

**Employee's Guide**

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**Flexible Spending Account (FSA)**  
**A Guide for Employees**

**This pamphlet provides the employee  
with an orientation  
of Flexible Spending Accounts.**

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## **What Is A Flexible Spending Account (FSA)?**

The Federal FSA is a tax-qualified program based on the guidelines in section 105, 125, and 129 of the Internal Revenue Code. The program offers pre-tax dollar savings for out-of-pocket health and dependent care expenses, thereby reducing your taxable income and increasing disposable income. There are no government contributions towards this program. Sykes Health Plan Services (SHPS), is the FSA Administrator. An administrative fee is assessed to each participating employee; however, the Department of Defense (DoD) pays this administrative fee.

## **What Types Of FSAs Are Available?**

A health care FSA (HCFSA) pays for qualified medical expenses not covered or reimbursed by your Federal Employees Health Benefit (FEHB) carrier or any other type of insurance.

A dependent care FSA (DCFSA) allows you to pay for childcare or adult dependent care expenses that are necessary to allow you or your spouse to work, look for work, or attend school on a full-time basis.

A limited expense health care Flexible Spending Account (LEX HCFSA) is available to employees who enroll in a FEHB Program High Deductible Health Plan (HDHP) with a Health Savings Account (HSA). The LEX HCFSA is limited to eligible dental and vision expenses only. Under IRS rules, you are not eligible to contribute to an HSA and be enrolled in a FSAFEDS general purpose HCFSA at the same time.

## **Who Is Eligible For FSAs?**

For HCFSA and LEX HCFSA, all employees in the Executive Branch and other Federal agencies that offer the FSA program are eligible. Your position must convey eligibility for FEHB coverage even if you are not enrolled in the FEHB program. If you are in a temporary position, you can enroll after one year of continuous service in that position.

For a DCFSA, all employees in the Executive Branch and other Federal agencies that offer the FSA program are eligible. Your position does not have to convey eligibility for FEHB coverage to enroll in the DCFSA. Employees who work on an intermittent work schedule (6 months or less) in a calendar year are ineligible to enroll in a DCFSA.

Annuitants (other than reemployed annuitants) by law are prohibited from participating in the Federal FSA program.

## **What Is The Effective Date Of Coverage?**

Newly hired or newly eligible employees have 60 days from the date of the appointment, but no later than October 1 of the plan year to enroll in one or both of the FSAs. A plan year runs from January 1 through March 15 of the following year. If you are a new employee, your account will become effective on the day following acceptance of your election form, generally the day after you enroll. If you are a newly eligible employee due to a Qualifying Life Event (QLE), your election will be effective on the first day of the first pay period that starts after your election is approved by FSAFEDS. If you are unable to apply during this time, you can enroll during the next Federal Benefits open season, usually held in November. If you enroll during the open season, your account will become effective on January 1 of the following year.

## **Recent Changes under the Patient Protection and Affordable Care Act, (PPACA), Public Law 111-14 and the Effect on the FSA Program**

Beginning January 1, 2011, over the counter (OTC) products that are medicines or drugs (e.g., acne treatments, allergy and cold medicines, antacids, etc.) will not be eligible for reimbursement from the employee's Health Care FSA – **unless, the employee has a prescription for that item written by their physician or an individual who is legally authorized to issue a prescription in that state.**

**The only exception is insulin – which will not require a prescription from January 1, 2011, forward.** Other eligible OTC items such as bandages and nasal strips, will not require a prescription. Visit the FSA website for a complete list of eligible expenses.

HCFSA expenses are reimbursable for adult children, through the end of the calendar year in which they turn age 26. Beginning January 1, 2011, the definition of a child includes any biological child, stepchild, adopted child, eligible foster child, or a child placed with you for legal adoption, even if you cannot claim that child as a dependent on your Federal tax return. (PLEASE NOTE: This is not the same definition of child eligibility used under FEHB.)

## **How Much Can I Contribute To Each FSA?**

HCFSA –the maximum annual amount is \$5,000 and the minimum is \$250 or, \$5,000 per covered employee and \$10,000 per Federal couple.

LEX HCFSA- the maximum annual amount is \$5,000 and the minimum is \$250 or, \$5,000 per covered employee and \$10,000 per Federal couple.

DCFSA –the maximum annual amount is \$5,000 per household or \$2,500 if married, filing separately.

### **Do I Have To Apply For Coverage Each Year?**

Yes, you must apply for a HCFSA, DCFSA, and LEX HCFSA each year during the open season. The Benefit Period runs from January 1 of the current year through March 15 of the following year.

### **Can I Change My Allotments After Open Season?**

Allotments can only be changed during the Federal open season or if you have a QLE.

### **What Is A QLE?**

A QLE is an event such as marital, dependent, or employment status changes that may affect your health benefits status. If you, your spouse or dependent experiences a QLE, you have 31 days prior to or 60 days after the event to notify FSAFEDS to enroll or make a change in your HCFSA, LEX HCFSA, or DCFSA amount. For further information on QLEs, refer to the FSA website at:

<https://www.FSAFEDS.com/FSAFEDS/summaryofbenefits.asp>

### **What Happens If I Am In Non-Pay Status While On Active Duty Or In Non-Pay Status For Other Reasons?**

If you go on leave without pay (LWOP) or are in a non-pay status for any reason such as active duty or a qualified life event, your agency will not deduct your allotment while you are in a non-pay status. There are different options for coverage depending on whether your LWOP is based on a QLE. You may choose to prepay at an accelerated rate prior to your LWOP so there will be no interruption in your coverage period. You may also choose to freeze your account. You will not be reimbursed for any healthcare expenses incurred while in non-pay status until the end of the plan year or until allotments resume, whichever occurs first. Absent-Uniformed Service due to military deployment is considered a QLE, and you have the option of canceling your enrollment.

### **What Happens Upon My Return To Duty From Non-Pay Status?**

When you return to pay status, your allotments will be recalculated across the remaining pay periods to ensure you reach your annual election amount. If there are less than five pay periods remaining in the year when you return to pay status, your deductions will increase proportionately over the number of pay periods remaining in the benefit period so that your account is paid in full on the last day of the year.

Upon your return from military duty, if your coverage has been canceled or terminated, you will need to contact FSAFEDS ([www.FSAFEDS.com](http://www.FSAFEDS.com)) to reinstate your account.

### **What Happens At Retirement Or Separation?**

The HCFSA and DCFSA are treated differently. An HCFSA will terminate at the time of separation. Any health care expenses incurred prior to the date of separation will be reimbursed. Health care expenses incurred after separation will not be reimbursed. If you have used your entire elected amount before FSAFEDS has deducted it from your pay, you will not be responsible for the remaining allotments.

A DCFSA can continue to be used until the remaining balance is depleted or the plan year ends, whichever occurs first, if the expense meets the IRS eligibility requirement.

### **How Do I File A Claim?**

A claim form can be submitted through the regular mail at FSAFEDS Program, P.O. Box 36880, Louisville, KY 40233, or express mail to SHPS, Attn: FSAFEDS Program 11405 Bluegrass Parkway, Louisville, KY 40299, or it can also be faxed to 502-267-2233 or toll free at 866-643-2245. You can find the claim forms on the FSAFEDS website at: <https://www.fsafeds.com/fsafeds/download.asp>

### **How Soon Will I Receive My Money After I Submit A Claim?**

In most instances, if you fax your claim form, you will be reimbursed for any expenses within 5 to 7 business days from the time the claim is submitted. The funds are deposited in your bank account (by direct deposit). If you participate in paperless reimbursement, your FEHB plan automatically forwards your claims to FSAFEDS weekly (daily if with Blue Cross Blue Shield or Mail Handlers). It may take up to 10 to 12 business days from the time your FEHB plan submits your claim until your funds are deposited into your account via direct deposit. **Please note, reimbursements are based on the date that the service was provided and not when you paid for the service.**

### **What Is The Deadline For Submitting Claims?**

You have until April 30 to submit claims for expenses incurred during the previous benefit period. Your claim must either be postmarked or faxed by April 30.

### **If I Do Not Use All Of The Money That I Have In My Account, Will I Lose The Money?**

Any unused balances in your HCFSA and/or DCFSA will be forfeited on April 30, the end of the plan year.