

HSAs and Limited Health FSAs

If you and/or your spouses' employer offers a health savings account (HSAs) and a limited health flexible spending account (FSAs), you can maximize your savings by contributing to both account types.* Here are a few things to keep in mind when enrolling in your benefits plan.

HSA vs. Limited Health FSA

HSA

An HSA is a **savings** account that lets you set aside money on a pre-tax basis to pay for [qualified medical expenses](#) that are not covered by another health plan.

- Employees and employers may both contribute funds to the account.
- The **employee** owns the account. Your funds are yours to keep and grow year-over-year.
- To contribute to an HSA, you must be enrolled in a qualified high-deductible health plan (HDHP) and be HSA-eligible.
- You **do not need** to submit documentation for expenses paid from your HSA. However, it's a good idea to save health care bills and documentation in case of an IRS audit.

Limited Health FSA

A limited health FSA is a **spending** account that lets you set aside money on a pre-tax basis to pay for [qualified vision and dental expenses](#) that are not covered by another health plan.

- Employees and employers may both contribute funds to the account.
- The **employer** owns the account.
- Your funds must be used by the end of the plan year or they will be forfeited, unless rollover or grace period apply.**
- To be reimbursed from your limited health FSA, you **need** to submit documentation for your expenses.

Benefits of Having Both an HSA and Limited Health FSA

When you contribute to both an HSA and a limited health FSA, you maximize your savings potential. HSAs and FSAs both help you save approximately 30%*** on your eligible expenses, making a \$1,000 expense cost you about \$700. You get these savings because the contributions you make to these accounts are exempt from Federal, State, and FICA payroll taxes.

If you contribute the maximum amount to both an HSA and FSA, you are taking full advantage of your tax-free savings. You can use your limited health FSA dollars for immediate dental and vision needs, allowing you to save the money in your HSA for other or future medical expenses.



Benefits Card

At EBC, we help you take advantage of your savings potential by offering you one Benefits Card for both your HSA and limited health FSA. To ensure you maximize your savings potential, our Benefits Card automatically draws funds from your limited health FSA first for any *eligible dental and vision expenses* that you have throughout the year, since any unused funds in this account will be forfeited at the end of the year.

If you still have any eligible dental and vision expenses after using all your limited health FSA funds, your Benefits Card will automatically start drawing funds from your HSA.

If you have any eligible medical expenses throughout the year, your Benefits Card will automatically draw those funds from your HSA. If you don't have a need to use your HSA funds throughout the year, these funds will continue to grow and earn interest. This means that while you should use all your limited health FSA funds during your plan year, you don't have to spend all your HSA funds in a plan year. In fact, saving your HSA funds is a great way to create a nest egg for the future for unexpected health care costs and/or health care costs incurred during retirement.

HSA and Limited Health FSA Eligibility

To be eligible to participate in an HSA and a limited health FSA, you must meet the following criteria for each account.

HSA

- Be enrolled in an HSA-qualified high deductible health plan (HDHP) that meets the minimum annual deductible and maximum out-of-pocket expense limit [specified by the IRS each year](#).
- Not be another individual's tax dependent.
- Not be enrolled in Medicare.
- Not be covered by any disqualifying coverage, **including a standard health FSA**, which pays for eligible medical, dental, and vision expenses.

Limited Health FSA

- Be eligible for your employer's limited health FSA.

If you meet all the criteria above, *you can enroll in both an HSA and limited health FSA.*

**When enrolling in both an HSA and limited health FSA, the accounts do not have to be offered by the same employer.*

***Refer to your plan documents for additional information regarding rollover or grace period.*

****This tax example is a broad approximation of tax liability. Your specific savings depend on your tax bracket. Further, your contributions may be subject to state income tax in some states. Current IRS tax laws control all pre-tax payment and contribution matters and are subject to change.*