Health Care Flexible Spending Account

Pay for out-of-pocket health care expenses with pre-tax dollars | 2027 Plan Year

Health FSA Basics

A Health Care Flexible Spending Account (Health FSA) lets you set aside part of your pay, before taxes, to reimburse yourself for eligible medical, dental and vision expenses.

The money you set aside is not subject to federal income tax or Social Security and Medicare taxes, so you keep more of what you earn.

2027 contribution limit: $3,500
Your employer's plan may set a lower limit. Check your plan for details.

What Expenses Are Eligible?

Your Health FSA can reimburse expenses for medical care only. An expense is for medical care if it is incurred to diagnose, cure, mitigate, treat or prevent disease, or to affect a structure or function of the body. Expenses for general good health do not qualify.

If an expense is not clearly for medical care, or has both a medical and non-medical purpose, your doctor must document in writing that it is medically necessary.

Your Health FSA cannot reimburse insurance premiums or expenses paid by another medical, dental or vision plan.

Whose Expenses Are Eligible?

Expenses for you, your spouse and your tax dependents are eligible. Expenses for your children are also eligible through the end of the year in which they turn 26. Check your plan for details.

How Does It Work?

1. Choose your amount. When you enroll, choose how much to contribute for the plan year. Estimate conservatively, based on expenses you expect.

2. Contribute through payroll. Your contribution is deducted in equal amounts from each paycheck, before taxes.

3. Get reimbursed. Submit a claim with proper documentation, and you will be reimbursed tax-free.

Your full annual amount is available from the first day of the plan year, even before it has all been deducted from your pay.

Unused Money: Carryover or Grace Period

Under IRS rules, money left in your account at the end of the plan year is forfeited. Your plan may soften this rule with one of these features:

- **Carryover:** You may carry over up to $700 of unused 2027 funds into 2028. Your employer may set a lower amount. Carryover funds become available after the deadline for submitting prior-year claims has passed.
- **Grace period:** You may continue to incur expenses for up to 2½ months into the next plan year.

A plan may offer one of these features, not both. Check your plan to see which, if either, applies.

Rules to Remember

- Money you do not use for expenses incurred during the plan year (and any grace period) is forfeited, except any allowable carryover.
- Submit claims by the deadline set by your plan.
- You generally cannot change your election during the year (see page 2).
- A Health FSA generally makes you ineligible to contribute to a Health Savings Account (HSA). If you have an HSA, ask whether your plan offers a limited-purpose FSA for dental and vision expenses.

See How Much You Can Save

Example: an employee earning $30,000 a year who contributes $1,000 to a Health FSA.

	Without Health FSA	With Health FSA
Annual gross pay	$30,000.00	$30,000.00
Pre-tax Health FSA contribution	$0.00	–$1,000.00
Taxable gross pay	$30,000.00	$29,000.00
Federal income tax (12%)*	–$3,600.00	–$3,480.00
FICA tax (7.65%)*	–$2,295.00	–$2,218.50
After-tax health care expenses	–$1,000.00	$0.00
Net take-home pay	**$23,105.00**	**$23,301.50**

Total annual savings: $196.50
*Your tax rates may differ. Consult your tax advisor.

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May I Change My Election?

Because of the Health FSA's special tax advantages, IRS rules limit mid-year changes. Once the plan year begins, you cannot stop or change your election until the next plan year unless you have a change in status recognized by your plan, such as:

- A change in legal marital status
- A change in the number of your dependents
- A change in employment status of you, your spouse or a dependent that affects eligibility
- An increase or decrease in hours of employment that affects eligibility
- A dependent becoming eligible or ineligible
- A judgment, decree or court order
- Medicare or Medicaid entitlement

Examples of Eligible Expenses

- Deductibles and copays under medical plans
- Dental and orthodontic expenses
- Vision exams, glasses and contact lenses
- Prescription medications and supplies
- Over-the-counter medicines and menstrual care products
- Physical therapy and mental health care
- Chiropractic care
- Laboratory fees

This is a partial list for illustration only. All expenses must be properly substantiated under IRS rules to be reimbursed. Some plans limit which expenses are eligible, so check your plan documents.

Need Help?

Contact your employer's benefits administrator or Benefit Allocation Systems at 800-945-5513 or service@BASusa.com.

Planning Worksheet

Use this worksheet to estimate the out-of-pocket expenses you expect next year. Reviewing past statements can help you see how often expected and unexpected expenses come up. For a fuller list, see IRS Publication 502, Medical and Dental Expenses. Not every item in Publication 502 can be reimbursed from a Health FSA; insurance premiums, for example, cannot.

Medical	Amount	Dental, Vision and Hearing	Amount
Deductibles	$	**Dental**	
Copays	$	Deductibles	$
Office visits	$	Office visits	$
Routine checkups	$	Exams / cleanings	$
School physicals	$	Fillings	$
Well-baby care	$	Crowns / bridges	$
Immunizations	$	Root canals	$
Lab fees	$	Extractions	$
Emergency room	$	Oral surgery	$
Surgery	$	Periodontal surgery	$
Private hospital room	$	Orthodontics	$
Private nursing	$	Dentures	$
Home health care	$	X-rays	$
Hospice	$	Fluoride treatments	$
OB/GYN exams	$	Sealants	$
Prescription drugs	$	Space maintainers	$
OTC medicines	$	**Dental subtotal**	**$**
Menstrual products	$	**Vision and Hearing**	
Physical therapy	$	Eye exams	$
Speech therapy	$	Glasses / contact lenses	$
Chiropractors	$	Contact lens solution	$
Counseling	$	Hearing exams	$
Psychiatrist / psychotherapy	$	Hearing aids and batteries	$
Alcohol or drug treatment	$	Guide dog / service animal	$
Braces / orthotics	$	Other assistive devices	$
Crutches / wheelchairs	$	**Vision and hearing subtotal**	**$**
Acne treatment	$		
Medical subtotal	**$**		
Total estimated annual expenses (add all subtotals)			**$**

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