

Limited Flexible Spending Accounts (LFSA)

High Deductible Health Plan enrollees with a Health Savings Account cannot enroll in a Healthcare Flexible Spending Account, but they have the option of selecting the Limited Flexible Spending Account.

What is a Limited Flexible Spending Account?

A Limited Flexible Spending Account (LFSA) is a flexible spending account option for employees enrolled in a Health Savings Account (HSA) Program with a High Deductible Health Plan (HDHP), or whose spouse is enrolled in a HDHP with an HSA. The LFSA 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 general purpose Healthcare Flexible Spending Account at the same time. Go to www.IRS.gov if you want to learn more about HDHPs and HSAs.

What kind of expenses does a LFSA cover?

Expenses are limited to dental and vision care services/products that meet the IRS definition of medical care. Eligible expenses include your out-of-pocket costs for such services/products as:

Dental Care:

- Cleanings
- Fillings
- Crowns
- Orthodontics

Vision Care:

- Contact lenses
- Eyeglasses
- Refractions
- Vision correction procedures

along with any eligible dental or vision over-the-counter expenses, such as denture care products, contact lens cleaning and soaking solutions, etc.

Your out-of-pocket costs for dental and vision care are the only expenses eligible for reimbursement under the LFSA. Cosmetic services – whether dental or vision related - are not eligible expenses. All of the other expenses normally eligible under a “general” health care flexible spending account are NOT eligible under a LFSA.

How does a LFSA save me money?

Using pre-tax dollars gives you an immediate discount on your eligible out-of-pocket dental and vision care expenses. By using a LFSA, you can preserve the funds in your Health Savings Account to use/save for other purposes.

Is there a limit on how much pre-tax salary I can set aside in my LFSA for dental and vision care expenses?

The limits are established by your employer but are generally anywhere from a minimum of \$250 up to \$5,000 per Benefit Period.

REMEMBER: Under IRS rules, you are not eligible to contribute to an HSA and be enrolled in a general purpose HC FSA at the same time. And, if your spouse is covered separately under a non-HSA plan, his/her expenses are not eligible under your LFSA and your expenses are not eligible under your spouse's general purpose FSA.

Are all my dependents covered under a LFSA like they are under a general purpose health care flexible spending account?

Yes, all your dependents that you claim or are eligible to claim on your federal income tax return, or with whom you jointly file your taxes are covered.

When can I enroll in a LFSA?

You can enroll in a LFSA during the Benefits Open Season for the upcoming Benefit Period. Your employer will notify you of this period.

I was enrolled in a general purpose FSA in the previous year but will be changing to a LFSA for this year because I am enrolling in a HDHP with an HSA. How will this affect my account?

Your LFSA will be effective on the first day of the plan year if you enroll during Open Season. If you change from a general purpose HCFSA to a LFSA in the middle of the plan year, you will not be able to fund your HSA that time. Since you cannot be

enrolled in a general purpose HCFSA at the same time you are enrolled in an HSA, you cannot fund an HSA until the first day of the next month after the end of the grace period.

MY HSA fund covers dental and vision expenses, so why would I want an FSA account too?

By establishing a LFSA, you can save money on taxes by using FSA dollars for dental and vision expenses while preserving your HSA funds for other purposes, including simply saving those funds for the future.