Fidelity Health®

Limited purpose flexible spending account (FSA)



What is a limited purpose FSA?

Using a limited purpose flexible spending account along with a health savings account (HSA) is an innovative way to increase your tax benefits and keep more of your money.

You can use your limited purpose FSA pre-tax dollars to pay for qualified dental, vision, and preventive care expenses, while utilizing your HSA for medical expenses–with the convenience of having one debit card.

With a limited purpose FSA, you elect an annual contribution amount that is deducted in equal installments from your paycheck each pay period throughout the year. Your annual contribution amount is available to you on day one on the plan; you do not need to wait to accrue the funds.

The maximum amount you may elect is set by your employer and cannot exceed the IRS limit for the year. The amount of your paycheck that goes into an FSA will not count as taxable income, so you save money on taxes.

Limited purpose FSA expenses

A limited purpose FSA works with an HSA-eligible health plan and an HSA. A limited purpose FSA is a great way to pay for qualified expenses with pre-tax dollars. Some examples include:

- Out-of-pocket expenses like copays, coinsurance, or deductibles for dental and vision plans
- Glasses, contact lenses, or laser eye surgery
- Orthodontia care such as braces, or dental expenses not covered by your insurance
- Preventive care not covered by your health plan (you will need to submit a manual claim for those expenses)



Refer to IRS Publications 969 and 502 or your summary plan description for a complete list of allowable expenses.

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Limited purpose FSA

Planning ahead



Decide how much you want to contribute.

Before you enroll, you must first decide how much you want to contribute to your account. You will want to spend time estimating your anticipated qualified dental, vision, and preventive care expenses for the year. You can use your funds to pay for qualified expenses for yourself, your spouse, or your dependents, even if they are covered under another health plan.



Limited purpose FSAs elections are made per plan year.

Typically, you will forfeit any funds left in an limited purpose FSA at the end of the plan year. Your plan has a run-out period that gives you extra time to submit claims for expenses you incurred. See the plan details to confirm the time frame. Your plan has a carryover to allow you extra time to use the money in your limited purpose FSA.

- **Carryover:** An FSA carryover allows you to carry over up to the IRS maximum amount, unless your employer has established a lower threshold, into the next plan year. See the plan details to confirm the amount.



You'll need to make sure your expenses qualify for limited purpose FSA spending.

It's important to ensure that the funds being used from the limited purpose FSA are for qualified expenses. You should consider saving receipts and tracking payments and reimbursements. Receipts should include the date of the expense, the type of expense, the cost, and the merchant or provider name and information. Tracking receipts and reimbursements is a best practice. Refer to IRS Publications 969 and 502 or your summary plan description for a complete list of allowable expenses.

Limited purpose FSA

Easy access

You can submit limited purpose FSA claims as often as you incur a qualified expense, and all payment or reimbursement requests must be submitted before the end of the run-out period.



Debit card

You will receive a debit card to make it easy to pay for qualified expenses. When you use the debit card, payments are automatically withdrawn from your account.

Most expenses can be validated through the card transaction, but you may be required to provide a copy of the receipt for certain transactions, in accordance with IRS rules. When necessary, receipts can be easily uploaded to NetBenefits.

Reimburse yourself

You can submit a claim by logging in to NetBenefits and selecting "Flexible spending and reimbursement accounts." From there, you can select "Reimburse yourself."

You can request a check disbursement or link a bank account for faster money transfers. Reimbursements can only be processed for expenses that have already been incurred.

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Limited purpose FSA

Frequently asked questions

How do I participate in an FSA?	To participate, you must enroll during your employer's Annual Enrollment or as the result of a qualifying life event. Contact your benefits administrator for more information.
How do I change my limited purpose FSA deduction amount?	Employers only allow changes to your election (that would in turn update your paycheck amount) during Annual Enrollment or a qualifying life event, such as the addition or loss of a dependent. Contact your benefits administrator for more information.
Can I enroll in both an HSA and an FSA?	You can make contributions to an HSA and an FSA if you are covered under a limited purpose FSA because this kind of FSA restricts reimbursements to certain qualified expenses such as vision, dental, or preventive care benefits.
When are my funds available?	The full benefit amount that you elect is available at the beginning of the coverage period, regardless of how much has been contributed at that point. Once you submit a claim, a review typically occurs within 2 business days, and reimbursement can take as little as 3 business days through direct deposit, once the claim is approved. Visit NetBenefits for more information and instructions on linking your bank account.
What do I do if I requested limited purpose FSA funds in error or a provider refunds me for an expense that I paid for with my limited purpose FSA?	A refund can be submitted via check along with the claim number to the address listed on claim notifications. You can also contact our call center to have the corresponding claim denied so you can repay the claim on NetBenefits. If the provider refunds your debit card, then the account will be repaid, but you may need to contact the call center if the claim is unresolved. At that point, we can have the refund applied to that claim.

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Limited purpose FSA

Frequently asked questions

How much will I really save in taxes by contributing to a limited purpose FSA?

No payroll or income taxes are withheld from contributions to an FSA.

The amount you may save depends upon:

- The amount you put into your limited purpose FSA, and
- The tax percentage you would normally pay on that money (your tax bracket)

Let's say you want $2,000 taken out of your paycheck this year to put into your limited purpose FSA. The money you direct to your limited purpose FSA is taken out of your check before taxes are taken out. That reduces your taxable income by $2,000.

Let's say you normally pay 30% in federal and state taxes and Social Security on your income. In this example, you would have a tax savings of 30% of the $2,000. In other words, you could get an estimated tax savings of $600 on the $2,000 you directed to your limited purpose FSA.

What happens if I terminate employment?

If employment is terminated, the limited purpose FSA on your debit card will be deactivated, and you will have a run-out period to submit claims for eligible expenses incurred while you were still actively employed. Your employer determines the length of the run-out period. After the run-out period ends, any remaining funds in your account will be forfeited to your employer.

Typically, limited purpose FSAs can be continued under COBRA. If you wish to enroll in COBRA coverage for your FSA, please contact your benefits administrator for more information.

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