

Health FSAs & DCAP FAQs



Q: What if I am not covered or I do not have my dependents covered under my company's health insurance plan?

A: You and your family can still participate in the Health FSA or DCAP reimbursement account.

Q: Why should I participate in the Health FSA when I already have health insurance?

A: The Health FSA is used to pay for expenses that are not covered by most health insurance policies, such as co-payments, co-insurance, prescription drugs, glasses and contacts, orthodontics, dental care, and certain over-the-counter items, to name a few.

Q: When must expenses be incurred in order to receive reimbursement under the Health FSA?

A: Eligible medical expenses must be incurred during the plan year and while you are a Plan participant. "Incurred" means that the service or treatment has been provided. If you pay for an eligible expense in advance, you cannot be reimbursed until the service or treatment has actually been received. You also cannot be reimbursed with current plan year funds for expenses incurred:

- Before the plan year began;
- Before your election form became effective;
- After the close of the plan year; or,
- After a job separation or loss of eligibility (unless incurred during an applicable COBRA continuation period).

Q: What if I have a claim early in the plan year and do not have enough money in my account?

A: You are eligible for 100% of your Health FSA election at the start of the plan year, due to a provision called the "Uniform Coverage Rule." This gives you the ability to budget your expenses and spread them out over the entire year. Your payroll deductions will continue throughout the plan year to catch up on any expenses you have been advanced. For the DCAP account, you will be reimbursed as your deductions are deposited with your employer.

Q: Do I need to have lots of expenses?

A: No. You should put aside only enough funds to cover what you expect to spend during the plan year. If you do not use the money, the IRS mandates that you lose it, unless your plan has adopted a special provision that allows unspent Health FSA monies (up to a maximum of \$500) to be carried over to the next plan year. Review your Summary Plan Description (SPD) to see if your plan includes the Carryover provision.

Q: If I put my own pre-tax money in a spending account, why would I lose it if I don't spend it?

A: This is an IRS requirement. If your plan does not include Carryover, you may have a grace period of up to 2 1/2 months from the end of the plan year to incur more claims before losing leftover funds. You may also have a run-out period from the end of the plan year to submit eligible claims. Refer to your SPD.

Q: How do I figure how much to set aside?

A: Review receipts and check registers to see what you typically spend out-of-pocket on medical expenses for yourself and qualified family members. Then think about what might be different this year that will cause an increase or decrease.

Q: What is the minimum/maximum amount that I can put into my account?

A: These amounts are determined by your employer and specified in your SPD. The maximum cannot exceed the following IRS-mandated maximums:

- **Health FSA:** \$2,650 per participant per plan year
- **DCAP:** \$5,000 per plan year/calendar year for head of household or married filing jointly; \$2,500 per plan year/calendar year for married filing separately.

Q: What is required as claims documentation?

A: You must submit a copy of your statement, invoice, visit record, explanation of benefits (EOB), or other document that shows the date and type of service, amount charged, and provider. Canceled checks and credit card slips are not qualified receipts.

Q: Can I change my contributions during the year?

A: Only if you experience a qualified change of status, such as marriage, divorce, birth, adoption, or a change in your or your spouse's employment status.

Q: Can DCAP expenses be reimbursed at the beginning of the month for care that will be provided later in that month?

A: No, regulations require that DCAP claims can only be reimbursed when a service has actually been incurred. If you pay in advance for a certain period of time, you cannot be reimbursed until the period has ended (i.e., until the care has been received).

Q: Can an employee who participates in DCAP also claim the Dependent Care Tax Credit?

A: There is no 'double-dipping.' If you are using a DCAP you may not also elect the tax credit on the same money. Please consult with a tax preparer for more information.