

# Flexible Spending Account (FSA) & Health Savings Account (HSA)

The IRS mandates that you cannot have a Flexible Spending Account (FSA) and a Health Savings Account (HSA) at the same time. Only employees that are enrolled in the medical **High Deductible Health Plan (HDHP)** are eligible for an HSA. Contributions to both plans are **pre-tax dollars**.

## Example Only

The **FSA** plan, managed by **Paylocity**, is "Use It or Lose It". The plan includes a 2 ½ months grace period for qualified medical expenses incurred by March 15 and submitted by March 31.\*

*Annual contributions cannot be changed during the plan year, unless you experience a qualified life event and then, you have 30 days from the date of the event to make a change.*

### **2025 FSA Contribution Limits:**

**Health Care \$3,300 maximum**

**Dependent Care \$5,000 maximum**

### **Health Care/Medical**

Reimburses for deductibles, co-pays, dental, orthodontic, vision, LASIK, weight loss programs (with a note of medical necessity) smoking cessation and many more items for you and your eligible dependents.

### **Dependent Care**

Reimburses for day care for children up through age 12 (includes pre-school tuition), latch key, day camps and elder care needed for older adults. (IRS allows \$5,000 per family per calendar

The **HSA** plan is managed by Optumbank. With an HSA, you own the account and all contributions. The entire HSA balance rolls over each year and remains yours even if you change health plans, retire or terminate employment. HSA funds may be used to pay for qualified medical expenses.

To make contributions to an HSA, the IRS requires that:

- ✓ You are covered by an HSA qualified health plan.
- ✓ You have no other health coverage (such as other health plan, Medicare, military health benefits, medical FSAs).
- ✓ You cannot be claimed as a dependent on another person's tax return.

If you are currently enrolled in the HDHP, you are eligible to continue. Each year, to continue participating, you must complete and submit an HSA payroll deduction form. *Contribution changes can be made at any time during the year.*

### **2025 HSA Contribution limits:**

<b><u>Coverage Type</u></b>	<b><u>Total Annual Contribution</u></b>
<b>Self</b>	<b>\$4,300</b>
<b>2 Person/Family</b>	<b>\$8,550</b>

*\*Catch-up contribution (If you are age 55 and over you can contribute an additional \$1,000 for the year).*

year). *The debit card cannot be used for daycare reimbursements.*

**NOTE:** Only medicines that are prescribed by a physician with a written prescription will be allowed as a qualified expense. Eligible OTC items without a prescription include diabetes items (lancets, test strips, glucose meters and tablets, syringes and needles, and other supplies), bandages, contact lens solution, and denture bond.

***Reimbursement options are by check, direct deposit or debit card.***

Paylocity will issue a debit card. This card cannot be used at ATMs and you cannot get cash back, and cannot be used at gas stations, restaurants, or other establishments not health related. The annual service fee for the debit card is \$15, which will be deducted from your FSA account balance.

**(IRS requirement: Please save All receipts for items purchased with the debit card)**

Please visit Detroit Mercy's Human Resources website or EBC for additional information:

<http://www.udmercy.edu/hr/benefits/flex/index.htm>

### **Supplement your retirement**

An HSA can help fill your Medicare gap as well as dental, hearing and vision expenses. Qualified medical expenses remain tax-free, even into retirement. In addition, after age 65, you can use your HSA much like a 401(k) and withdraw funds for any purpose.

### **Invest your HSA to maximize your tax-free earning potential**

Once your account balance reaches \$2,000, you can increase your earning potential by investing any funds over that amount in mutual funds.

You will receive a debit card for easy access to your funds. Your card can be used everywhere debit cards are accepted for qualified expenses. This card cannot be used at ATMs and you cannot get cash back, and cannot be used at gas stations, restaurants, or other establishments not health related.

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