



## WHAT EXPENSES ARE COVERED BY AN FSA OR HSA?

Flexible Spending Accounts (FSA) and Health Savings Accounts (HSA) can be used to pay for many kinds of healthcare expenses:

- Doctor visits
- Prescription medications
- Durable medical equipment like wheelchairs or hospital beds
- Dental care including dentures
- Vision care including prescription eyeglasses and contact lenses
- Insurance copayments and deductibles
- Insulin
- Medical devices like hearing aids
- Sunscreen
- Menstrual products
- Smoking cessation products
- Infertility treatments
- More available at <https://www.irs.gov/publications/p969>



Flexible Spending Accounts (FSA) and Health Savings Accounts (HSA) can be great ways to save money on healthcare expenses, but they can be challenging to understand. Find out more to help you get the most benefit from your FSA or HSA:

## WHAT IS AN FSA?

A Flexible Spending Account (FSA) is an account you put money into to pay for certain out-of-pocket healthcare expenses. These accounts are only available through an employer and are not taxed. If your employer offers an FSA, you will decide the amount you'd like to be deposited into the FSA, and will either receive a debit card tied to the account, or will need to submit receipts to the FSA administrator to receive reimbursement.

During Open Enrollment you decide how much you want to put in your FSA. The IRS caps how much you can contribute to your FSA annually. These caps change every year. If you don't use the full amount you've elected to contribute by the end of the calendar year, you could lose, or forfeit, your FSA dollars.



**TIP:** Only contribute the money you think you will need to spend on qualified medical expenses next year to your FSA. To help you calculate these costs, you can ask your pharmacist to give you the total you spent on prescriptions in any given year.

To help employees avoid losing money they've set aside for medical expenses, many companies allow you to carry over up to \$500 of unspent funds from the previous year into the next year. Some companies also offer a grace period, which allows you to use unspent funds from the previous year for new claims for up to 2 and a half months into the new year. If money is left in the account after that time, you will likely lose it.

## WHAT IS AN HSA?

A Health Savings Account (HSA) is an investment account available only to members enrolled in a High Deductible Health Plan (HDHP). Your HDHP credits a portion of your premium to the HSA. You can also make pre-tax contributions to the account, and change how much you contribute at any point during the year. The IRS caps your tax-free contributions to these accounts, and this amount changes each year.



The funds in your HSA can be used to pay for your plan's deductible and/or qualified medical expenses that do not count toward your deductible. If you use the money on non-eligible expenses, you'll have to pay income tax on that amount (plus a 20% penalty if you're under 65).

## WHAT IS AN HSA? (CONTINUED)

Also, reimbursements from an HSA can only be made for costs incurred after your HSA was created. An HSA will earn interest and roll over any remaining balance from year to year.

You keep the money in the HSA whether you change plans or retire. Once you turn 65, you are no longer eligible to contribute to the account, but you can still use the HSA to pay for health insurance premiums and nonmedical retirement expenses. According to the New York Times, the average 65-year-old can expect to spend \$157,500 on medical expenses throughout a 20-year retirement. An HSA allows you to save (and invest!) money tax-free to pay for these expenses, making them essentially 401(k) accounts for healthcare.



**TIP:** Not all high-deductible health plans qualify you for a health savings account. If you want the option of having an HSA, make sure to look for plans that are specifically tagged as "HSA-eligible." While looking for HDHPs, be sure you aren't purchasing a short-term policy. Learn more about the dangers of short-term plans [here](#).



## WHAT ARE THE DIFFERENCES BETWEEN AN FSA AND AN HSA?

The biggest difference between an FSA and an HSA is that you control your HSA, while your employer controls an FSA. With an HSA, you can keep the account and take it with you if you change jobs. With an FSA, you must use the funds by the end of the year or risk losing them, and if you leave your job, you cannot take your FSA with you. HSA contributions can be invested, which means that once you reach a certain amount in your savings, you can buy stocks or bonds and earn interest (similar to an IRA). This option, together with the tax benefits of an HSA, can help you save money faster.

Eligible expenses may vary depending on the type of account you have and the specific plan offered by your employer or healthcare provider. Be sure to review the eligible expenses provided by your FSA or HSA provider so that you can apply your FSA and HSA to those costs.

Flexible Spending Accounts and Health Savings Accounts both offer tax advantages and other benefits that can help you save money on medical expenses. By understanding how these accounts work and what expenses are eligible, you can make the most of your benefits. If you have any questions about your FSA or HSA, don't hesitate to contact your employer or healthcare provider.

Curious about other topics? Our newly redesigned Education Resource Library houses our resources and provides straightforward information in a variety of formats to help you make informed decisions throughout your healthcare journey. Learn about health insurance, disability, medical bill management, and more by visiting our Education Resource Library today. Call us anytime at 800-532-5274 or visit [www.patientadvocate.org](http://www.patientadvocate.org) for help.



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