



# Employee FAQ:

## The Carryover Provision for Health FSA

### What has changed?

The IRS amended the use-or-lose rule to allow a limited amount of unused funds to rollover at the end of the plan year.

### How much can rollover?

Up to \$500 in unused funds can rollover into the following plan year. While the employer can elect to allow less than \$500 to be carried over, the same rollover limit must apply to all plan participants.

### Does the new rollover rule apply to limited purpose or post-deductible FSAs?

Yes. Under IRS guidance, the new rule applies to all health FSAs.

### If rollover is offered, does this change the \$2,700 maximum annual election?

No. For example: If the full \$500 were to rollover into the following plan year and you elected to contribute the full \$2,700 in that year, you would have a total of \$3,200 available for reimbursement of eligible healthcare expenses that year.

### How long do I have to use my rollover funds?

According to the IRS ruling, "The carryover of up to \$500 may be used to pay or reimburse medical expenses under the health FSA incurred during the entire plan year to which it is carried over." The expense must be incurred by the last day of the plan year into which the funds were rolled over. However, if you terminate employment, then you are only eligible for reimbursement for claims with dates of service on or before your termination date.

### In what order are funds utilized for new claims?

According to the guidance examples, current year funds should be used prior to any rollover funds being used.

### Can I use my benefits debit card to access rollover funds?

Yes. Once the run out period is complete up to \$500 will roll into your current benefit year where you can access them with your benefits debit card.

### How does the rollover apply to a short plan year?

Participants in a traditional health FSA are not eligible to contribute to an HSA, but your employer can enable unused funds to be rolled into a limited-purpose FSA to preserve your HSA eligibility. Check your plan documents to determine your employer's policy for participants enrolling in an HSA.

### Does my rollover FSA affect my eligibility to participate in a health savings account (HSA)?

Participants in a traditional health FSA are not eligible to contribute to an HSA, but your employer can enable unused funds to be rolled into a limited-purpose FSA to preserve your HSA eligibility. Check your plan documents to determine your employer's policy for participants enrolling in an HSA.

### Does the rollover option affect the run-out period?

No. You will still be able to file claims during the run-out period for expenses incurred during the plan year. This will be useful if you have more than \$500 in your FSA account at the end of the year. Check your plan document for the length of your run-out period.

### Do I have to elect a health FSA in the plan year into which funds are rolled over?

In most cases yes, you would need an active new plan year election to take advantage of the carryover funds. Typically the minimum election required is \$100. Check your employer's plan documents if you are not sure.

### How is the rollover amount calculated?

The carryover amount is determined after all expenses have been reimbursed for that plan year (after the end of the plan's run-out period). For example, if a plan has a run-out period that ends on March 31 of the following plan year, the amount rolled over for a plan year is equal to the amount from that plan year remaining in the participant's health FSA after March 31 (up to the rollover amount elected by the employer, but no more than \$500). Any unused amount in excess of \$500 (or, if lower, the carryover amount elected by the employer) is forfeited.

### **What happens to the rollover if my employment is terminated?**

If you leave the company mid-plan year, you are not eligible to receive rollover funds. However, you have a run-out period to submit claims within the dates of service for which you were eligible for reimbursement.

### **Are rollover amounts cumulative?**

No. The rollover amount from one year to the next is capped at \$500. For example, if you have \$500 that rolls over from 2018 to 2019, and then you contribute \$500 in 2019, but do not file any claims for 2019 the rollover amounts cannot be combined to \$1,000 to be carried forward into 2020 —only \$500 can be carried forward.



**For more information, call 800-499-3539**