



Flexible Spending Accounts

Savings for Both Employers and Employees



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- ▶ **What is a flexible spending account (FSA)?**
- ▶ **Why should you offer FSAs?**
 - Employer/employee savings
- ▶ **How does an FSA work?**
 - Employee contributions
 - Qualified expenses
 - Debit card spending
 - FSA funds rollover
- ▶ **Employee engagement & account access**
 - Online & mobile account access





What Is a Flexible Spending Account?

Getting Started





Flexible Spending Accounts (FSAs)

What is an FSA?

A flexible spending account is an employer-sponsored benefit account that allows employees to set aside pre-tax funds to help pay for eligible out-of-pocket healthcare expenses.

► **Employer benefits:**

- FICA tax savings (lower reported wages)
- Enhanced overall benefits package
- Improved employee engagement / satisfaction

► **Employee benefits:**

- Lower taxable income (increased take-home pay)
- Receive up to 30% savings on qualified healthcare expenses





Why Should You Offer FSAs?





Why Should You Offer FSAs?

Employer savings

► Employer savings

- FICA tax savings: Pre-tax employee FSA contributions lower your payroll and FICA tax responsibilities

► Additional employer tax savings may include:

- Federal unemployment taxes (FUTA)
- State unemployment taxes (SUTA)
- Workers compensation taxes

Sample Employer Savings

Total # of FSA participants	200
Avg. annual employee election	\$1,500
Estimated annual employer tax savings	\$22,950

For illustrative purposes only.
Based on 7.65% FICA. Individual tax situations may vary. Please consult a tax advisor.



Why Should You Offer FSAs

Employee Savings

▶ Lower taxable income

- FSA contributions are made pre-tax, meaning contributions are made prior to federal, social security, and most state tax deductions
- Enables employees to reduce their taxable income and maximize their take-home pay

▶ Savings on qualified healthcare expenses

- Pre-tax contributions allow employees to save up to 30% on eligible expenses

Sample Employee Savings

Federal tax rate	Annual FSA contribution	Estimated annual employee savings
12%	\$1,500	\$295
12%	\$2,750	\$540
22%	\$1,500	\$445
22%	\$2,750	\$815
32%	\$1,500	\$595
32%	\$2,750	\$1,090

*For illustrative purposes only.
Based on 7.65% FICA. Individual
tax situations may vary. Please
consult a tax advisor.*



How Does an FSA Work?





How Do FSAs Work?

Summary

- ▶ An employee determines an annual election amount
 - 2021 annual FSA contribution limit: \$2,750
- ▶ The annual election amount is deducted evenly from each paycheck, on a pre-tax basis
- ▶ The full election amount is available on the first day of the plan year for participants to spend on qualified out-of-pocket healthcare expenses
 - FSA debit card for spending
 - Online / mobile engagement tools
- ▶ At the end of the plan year, participants can rollover up to \$550 of unused funds into the future plan year
 - In place of a rollover, you may opt to offer a grace period in which employees are given a post-plan window to spend remaining funds





How Do FSAs Work?

Qualified expenses

- ▶ **Employees can use tax-free contributions to pay for qualified healthcare expenses**
- ▶ **Qualified expenses include:**
 - Copays, coinsurance, deductibles
 - Dental and orthodontia
 - Eye exams, contact lenses, eyeglasses
 - Prescriptions
 - Over-the counter medications and medical supplies
 - Lasik, and more!
 - View a full list of eligible expenses at www.irs.gov/publications/p502
- ▶ **Employees receive up to 30% savings on eligible healthcare expenses as a result of their tax-free contributions**





How Do FSAs Work?

Debit card spending

- ▶ **Debit cards give employees easy access to FSA funds**
 - Works just like a standard debit card, but funds are spent from the employee's FSA
 - Real-time, on-demand access to funds
 - Eliminates cash purchases and reimbursement hassles
 - Point-of-sale purchase, provider payment, direct deposit employee reimbursement
- ▶ **Debit cards can be used to purchase qualified healthcare products/services at:**
 - Physician and doctor offices
 - Hospitals
 - Pharmacies
 - Optician / vision care locations
 - Dental offices
 - And, even qualifying retail stores!





How Do FSAs Work?

The FSA funds rollover policy

- ▶ **FSA participants can rollover up to \$550 of unused funds into the future plan year**
- ▶ **Employer benefits:**
 - Increased enrollment and elections = greater tax savings
 - Higher employee benefit package satisfaction
- ▶ **Employee benefits:**
 - Greater flexibility – no need to precisely budget and plan for healthcare expenses
 - Lower risk – employees reduce the risk of losing money
 - Reduced waste – no more reckless end of year spending
 - More savings – less forfeiture risk = higher elections and tax savings
- ▶ **You can opt to offer a grace period rather than a rollover option where employees are given a post-plan expiration window to spend remaining funds**





Employee Engagement & Account Access



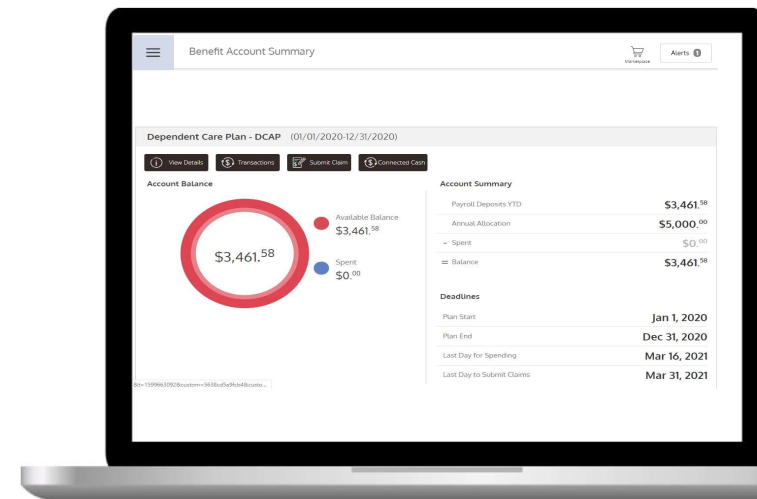


Online FSA Access

[WealthCare Portal]

Online account access engages participants and increases FSA value

- ▶ **Full account details:** View plan details and account history, including prior year activity
- ▶ **Multimedia education:** Access educational videos and interactive calculators to learn more about health benefit accounts and make critical spend/save decisions
- ▶ **Manage claims:** Submit new claims, upload receipts, and check claims status
- ▶ **Communications:** View a complete history of account communications and manage personal preferences
- ▶ **Access savings:** Take advantage of retail discounts, coupons, and online shopping offers
- ▶ **Self-service:** Take advantage of expanded account servicing options to manage debit cards, personal information, and security settings





Mobile App

Learn how to make better healthcare spending and saving decisions

Get the most out of every healthcare dollar you spend or save

- ▶ **Virtual medicine cabinet** to help you find ways to save on your prescriptions
- ▶ **Find care** to help you search for providers or procedure and drug prices
- ▶ **Funding calculator** to help you save for the future

While doing all the things you've come to expect from a mobile app

- ▶ **Access accounts:** Check balances, view transaction history, and more
- ▶ **Manage claims:** Submit new claims, upload receipts, and check claims status
- ▶ **Pay expenses:** Pay bills electronically
- ▶ **Access cards:** Manage card details, replace lost/stolen cards
- ▶ **Receive alerts:** View real-time alerts and messages, edit your communication preferences
- ▶ **Update profile:** Update your personal information

