

Health Savings Accounts and Flexible Spending Accounts

How Your FSA Plan Design May Impact Your HSA Eligibility

You may want to switch from an FSA to an HSA or vice versa at open enrollment. This is permissible; however, your FSA plan design may impact the timing of when your HSA may be opened for contributions to be made.

If your FSA plan offers a grace period up to 2 ½ months and you wish to change from an FSA to an HSA at open enrollment, the balance in your FSA plan on the last day of the FSA plan year must be \$0.00 to avoid any delays in opening your HSA and making contributions as of the first day of the new plan year.

If your FSA plan balance has any funds remaining on the last day of the plan year, your HSA eligibility will be delayed until the first month following the end of the grace period.

If your FSA plan offers a rollover up to \$550 and you wish to change from an FSA to an HSA at open enrollment, the balance in your FSA plan on the last day of the FSA plan year must be \$0.00 to avoid any delays in opening your HSA and making contributions as of the first day of the new plan year.

If your FSA plan balance has any funds remaining on the last day of the plan year, your HSA eligibility is impacted for the entire next plan year.

You do have the option to forfeit any remaining funds in your FSA to preserve your HSA eligibility.

Your employer may design your FSA plan to automatically convert your general-purpose FSA to a Limited Purpose FSA to preserve your HSA eligibility. Should this happen, you may use the remaining funds in your Limited Purpose FSA for dental and vision expenses only through the end of the grace period or the following year.

What You Need to Know

To be eligible to enroll in a Health Savings Account (HSA), you must also be enrolled in a qualifying high deductible health plan. If you are enrolled in an HSA, you may also participate in a Limited Purpose FSA that covers dental and vision expenses (no medical expenses) if your employer offers a Limited Purpose FSA. You may contribute up to the maximum amount for both the HSA and the Limited Purpose FSA to maximize your tax savings.

You are not required to be enrolled in a specific type of medical plan to enroll in a Flexible Spending Account (FSA).

