Wendy Harris:

Welcome to The Choice Is Yours, open enrollment podcast. I'm Wendy Harris, senior HR communications specialist. Do you have out-of-pocket healthcare costs for yourself, your spouse, or your dependent children? Maybe you have expenses related to caring for a child or disabled parent who needs daily care while you work. If either of these scenarios sound familiar, Penn has just the right tool to help you meet these costs. When your health plan doesn't pay for them. And that tool is called a Flexible Spending Account, Flexible Spending Accounts or FSAs allow faculty and staff to set aside pre-tax dollars into an account to use for a variety of healthcare expenses. How does it work? You simply set up an account, decide how much you want to contribute each month. And the payments are deducted directly from your paycheck. Then as you incur expenses, you submit claims for reimbursements. The process is pretty straightforward, but there is a lot of detail surrounding FSAs that faculty and staff need to know.

Wendy Harris:

So in this episode of The Choice Is Yours. We are going to discuss flexible spending accounts. Who's eligible, the different types of FSAs, the guidelines and deadlines around using these accounts. How to set up an account and how to submit a claim to be reimbursed for eligible expenses. FSAs are experiencing some changes for the 2021-2022 plan year. So we will also talk about these changes and how they affect you. For this discussion, I'd like to welcome back to the show, Katrina Tarell, Senior benefits specialists and Jennifer Salwatch, Benefits administrative assistant. Welcome ladies. It's nice to have you back on the program.

Jennifer Salwatch:

Thanks Wendy. It's great to be back.

Katrina Tarell:

Always a pleasure.

Wendy Harris:

Now let's begin by talking about the different types of FSAs, because there are two types available to faculty and staff. A healthcare flexible spending account and a dependent care, flexible spending account. Jen, how has a healthcare flexible spending account defined, versus a dependent care flexible spending account?

Jennifer Salwatch:

So, a healthcare flexible spending account, AKA a healthcare FSA can be used to pay for eligible medical expenses, not covered by your medical benefits themselves. And you can use this for yourself, your spouse and your dependents. If you have a child, or a disabled parent or spouse who needs daily care while you're working, that's where the dependent care FSA comes in. You can use a dependent care FSA to pay for that specific care that they need while you're working. And the eligible expenses for that are generally those, like I said, that allow you to work.
Wendy Harris:
So exactly who is eligible for an FSA? Can every faculty and staff member who wants one, have one. And can I get one immediately when I start at Penn, or do I have to work a certain amount of time before setting up an account, Katrina?

Katrina Tarell:
No, you don't have to work a certain amount of hours. However, currently only our full-time faculty and staff are eligible to participate and this option is available immediately upon hire.

Wendy Harris:
Okay, that's good. So as soon as you get hired, you can participate. Now we should note before moving on, that if you are enrolled in the Aetna high deductible health plan with HSA, HSA meaning health savings account, you are not eligible to participate in a healthcare FSA. Why is that the case, Katrina?

Katrina Tarell:
The health savings account and the healthcare flexible spending account are used for eligible medical expenses, with tax-free funds. So this means the dollar is taken from your pay tax-free, and then you use them to pay for eligible expenses tax-free. And since both accounts result in tax savings, you cannot be enrolled in both plans at the same time.

Wendy Harris:
Okay, so we know the different types of FSAs, the dependent care flexible spending account and the healthcare flexible spending account. And we know the eligibility requirements. Now let's move on to how you set up an FSA. What is the process Katrina? How long does it take and can I put money into it immediately?

Katrina Tarell:
It's really easy, Wendy. If you would elect the FSA option, you will be asked for a goal amount for the plan year. Remember our plan year is July 1 to June 30th. The amount you elect is then divided by the number of pays remaining in the plan year, depending on if your weekly or monthly paid. Our file then goes to our vendor WageWorks, they set up the account and a card is issued in the amount of the employee's goals. The full goal is available for immediate use once your account is set up with WageWorks. For the dependent care flexible spending account, the election process is the same, however, no card is issued. Workday will then calculate your deduction based on what you put as your goal. And the funds for these accounts are not loaded until the deduction occurs. So you can not submit claims until you have the funds in the account for the reimbursement.

Wendy Harris:
Okay. So WageWorks sets up the account. So once the account is established, Jen, how do I go about accessing it?

Jennifer Salwatch:
Thanks Wendy. So you can go about accessing it by signing into your health equity, WageWorks account and using single sign on with your Pankey and password. And luckily, which makes it super easy for
people like me. There's a link on our healthcare flexible spending account page, that will literally take you right to the login.

Wendy Harris:
Wonderful, that's great. So is there an FSA card that participants will get?

Jennifer Salwatch:
Yes. Those that have a healthcare FSA will kind of have a little debit card that they can use, and it's pretty much identical to your bank debit card. Just like how your bank debit card is linked to your checking or savings account, your FSA debit card is linked directly to your FSA account. However, in the case of dependent care FSA, you will need to submit a claim to get reimbursed.

Wendy Harris:
Now whether you have a healthcare FSA or dependent care FSA, both have specific contribution limits. So in other words, there is only so much money a faculty or staff member can put into their account to use for medical expenses, not covered by their medical benefits. So let's drill down a little bit into the specifics of each and how each FSA works, starting with contribution limits. So Jen, what are the contribution limits for a healthcare FSA versus a dependent care FSA?

Jennifer Salwatch:
So there are a lot of numbers coming up. So if you need to grab a pen and paper, now's the time. The maximum amount that you can contribute to your healthcare FSA for the calendar year 2021 is $2,750 for full-time employees. Now the you dependent care FSA is a little bit different. The maximum amount for the dependent care FSA depends on your marital status, your tax filing status and your income. And these limits apply to both the calendar year, which is January 1st or December 31st and the plan year, which is July 1st through June 30th. So for dependent care FSA, the maximum amount you can contribute, if you're single and filing as head of your household is $5,000. If you're married and you're filing a joint return, it's $5,000 as well. If you're married but filing separate returns, it is $2,500. And then if you are a highly compensated employee, which means you have a salary of $115,000 or more, you can only contribute $1,800.

Wendy Harris:
That's great. Wonderful. So let's just say, I want to change my contribution. Maybe I want to increase it a little bit, or you can't increase it beyond the maximum, but maybe you want to decrease it a little bit or just change it. When can faculty and staff make changes to their FSA contributions?

Jennifer Salwatch:
There are a couple of times that an employee can enroll or make changes to their flexible spending account. One is if you are a new employee and you are going in to change or add benefits. The other time you are allowed to make changes or enroll, is during our open enrollment period, which is April 19th through May 7th, don't forget, three weeks this year. And the other time you can make changes is after your employment status changes, or you have a qualifying life event. So a qualifying life event, an example of that is if you were to get married, or if you were to have new baby, you can then go in and make some changes to your FSA.

Wendy Harris:
Okay. Now each FSA also has certain eligible expenses. And I was actually looking on the list of some of these eligible expenses. And there's quite a few. Some of you might not even think would be on there. And these expenses are those that the IRS would consider deductible for income tax purposes. Katrina, what are some examples of these eligible expenses for both the healthcare FSA and a dependent care FSA?

Katrina Tarell:
So for the healthcare flexible spending account, you can use it for co-pays. When you go to the doctor, prescriptions, you can use it for feminine hygiene products, some over the counter medicines and even parking and mileage to and from doctor visits. Now for the dependent care account, you can use the funds for daycare, summer day camp and adult care.

Wendy Harris:
Now, as I understand that it, the IRS recently made COVID-19 related personal protective equipment or PPE as it's called, expenses reimbursable. Katrina, tell us about that.

Katrina Tarell:
Yes. So last month the IRS did announce that PPE items are now eligible expenses. So anyone with an account can now be reimbursed if they purchase items like hand sanitizer, disposable gloves, masks. So if anyone submitted a claim after January 1, that was denied, they can go online and resubmit the claim for reimbursement.

Wendy Harris:
Now, where can faculty and staff find a detailed list of eligible expenses, because this seems like something you will want to keep handy after you open your FSA. So where can faculty and staff find this list, for both the healthcare FSA and the dependent care FSA, Katrina?

Katrina Tarell:
So we have a list on our website. If you go to the HR website, you can just type in eligible expenses in your right hand corner search box, and the links will come up for both. Also, the list is always changing, so you can also look on the government's website to see if they've added some newer items that we're unaware of.

Wendy Harris:
Yes, that's a good point. Thank you. So, as we noted in the opening up to the program, there are some very important changes to the FSAs and the 2021-2022 plan year. In short, FSAs for the upcoming plan year will have uncapped rollovers, okay. Uncapped, rollovers. So Katrina, walk us through exactly what that means, because prior to this change, you could only roll over a certain amount to the new plan year if you have a healthcare FSA. And if you had a dependent care FSA, and you didn't use the full balance in your account each plan year, you would lose it. So what does the uncap rollover mean, exactly?

Katrina Tarell:
Yes, so that's correct, Wendy. So for this plan here, we are allowing participants to roll over all unused balances in their FSA accounts. For the healthcare account, it would normally be $550, and for the dependent care account, there is no roll over. So there would be a use it or lose it. But this year for the
dependent care FSA, the rollover is being replaced by the grace period. We ask that all participants keep this in mind when electing your goal amount for next year. Some may have so much in their account that they don't need any additional funds, but the rollover amount will not be available until November. So if you do not elect the FSA for the upcoming plan year, but have funds that will roll over, you will not have access to them until November.

**Wendy Harris:**
So as you said, Katrina, for the dependent care FSA, the grace period will be replaced by the roll over allowance. Can you explain what is meant by a grace period for the dependent care FSA?

**Katrina Tarell:**
Sure. So under normal circumstances, participants in the dependent care flexible spending account can incur expenses all the way up to the September 15th of the year. As a lot of people use it to pay for summer day camp for their children. However, this year we could not have both, a roll over and extended grace period. And so we went with the rollover amount.

**Wendy Harris:**
Now, I think it's important to remember the FSA guidelines prior to the 2021-2022 plan changes. Because the uncapped rollover will not continue into the 2022-2023 plan year. Is that correct?

**Katrina Tarell:**
That is correct. While we don't know what the IRS will allow in 2022, we do expect the rules will go back to what they were before. The rollover would be the $550 for the healthcare flexible spending account and the dependent care account would revert back to a user or lose it plan.

**Wendy Harris:**
Now when it comes to submitting claims, what is the process for both FSAs and how long does it actually take to get reimbursed, Katrina?

**Katrina Tarell:**
It's really easy. So participants can access accounts from my HR website using the single sign on that Jen mentioned earlier, and they authenticate themselves with their pankey and password. Now to reimburse yourself there are two options, you can pay the provider or pay yourself. Both require certain documentation and paperwork, so be sure to save the receipts. And there will be times that you're asked to supply a detailed document stating specifically what the expenses for. For the healthcare flexible spending account participants can use an explanation of benefits that they would all have the details to validate the claim. And these documents can be found on the individual carrier websites.

**Wendy Harris:**
Great. So a great takeaway from what you just said, Katrina is save your receipts. That's very important, very important. So let's bring Jen back into the conversation here with this next question. Let's talk about deadlines, because there are important dates that faculty and staff need to remember regarding FSAs. So Jen, what's the deadline to incur expenses, that's number one and number two, what's the deadline to submit claims?
Jennifer Salwatch:
So Penn's plan year runs from July 1st to June 30th. The money you contribute to a flexible spending account during each plan year can only be used for expenses incurred within certain dates. For fiscal year 2022, which will begin on July 1st. The timeframe to incur expenses is from July 1st, 2021 to June 30th, 2022. And then the last day to submit a claim is September 30th, 2022. Now for dependent care, it's a little bit different. The timeframe to incur expenses is from July 1st, 2021 to September 15th, 2022. And the last day to submit a claim for dependent care expenses is September 30th, 2022.

Wendy Harris:
Now that's a lot of dates for folks to remember, all important dates, but a lot of dates to remember. And in the event you didn't have a piece of paper to jot them down as Jen was going through them. We should note that you can find a chart with all the FSA deadlines on the HR website. So if you use this handy Google search that we've mentioned before, and you type in claiming reimbursement from a flexible spending account, you can type that into the Google search. The link to the webpage will come up and the chart, just scroll down and there will be a chart with all of the FSA deadlines right there for you. So we have covered a lot of ground ladies regarding flexible spending accounts. Is there anything else about FSAs that we should share with faculty and staff? Anything else Katrina?

Katrina Tarell:
Yes, Wendy. So I just want to remind faculty and staff that if they have a current balance in their accounts to think about what they will need for the upcoming plan year, as the carry over amount will not be available until November.

Wendy Harris:
Okay. Well, thank you. Thank you so much for joining us today, Katrina and Jen, to discuss flexible spending accounts. It has been a pleasure talking with you both about these important and very useful accounts.

Jennifer Salwatch:
Thank you so much, Wendy. It was great to be here again.

Katrina Tarell:
Pleasure's all mine, Wendy.

Wendy Harris:
So if you have more questions about FSAs, you can visit the flexible spending accounts website, or call the benefits solutions center at +1 866-799-2329, Monday through Friday 8:00 AM to 10:00 PM. And remember folks open enrollment ends Friday, May 7th at 5:00 PM. I want to emphasize that Friday, May 7th at 5:00 PM. So if you haven't done so already, please review your benefit selections to make sure they are still appropriate for you and your family. And whether you make changes or not, don't forget to print out your confirmation statement on Workday. For more information about open enrollment, please visit the open enrollment website at www.hr.upenn.edu/openenrollment. Thank you for listening to The Choice Is Yours. I'm Wendy Harris, have a great day.