

CY2023 Limited Purpose Health Care FSA Frequently Asked Questions (FAQ)

Federal regulations prohibit funding a Health Savings Account (HSA) if an individual is also enrolled in a standard General Purpose Health Care (GPHC) Flexible Spending Account (FSA). The State offers a Limited Purpose Health Care FSA (LPHC FSA) that is compatible with an HSA and allow enrollees in a High Deductible Health Plan (HDHP) with HSA to put aside additional pre-tax funds for eligible dental and vision expenses.

1. What is a Limited Purpose Health Care FSA (LPHC FSA)?

An LPHC FSA is used to pay out-of-pocket dental and vision [eligible expenses](#) not covered by insurance. It functions like a General Purpose Health Care (GPHC) FSA but cannot be used for medical or prescription drug expenses. The LPHC FSA is compatible with an HSA.

2. Can my spouse and I both be enrolled in an LPHC FSA?

Yes. Each spouse may contribute up to the annual maximum of \$3,050 to their own LPHC FSA.

3. Can I be reimbursed for dental or vision expenses incurred by my dependents?

Yes. You can be reimbursed for your tax dependents' (as defined by the Internal Revenue Service Code) dental and vision [eligible expenses](#) through your LPHC FSA regardless of whether they are covered dependents under your insurance plans.

Note: A Dependent Care FSA is for eligible expenses incurred for the care of qualifying individuals (such as day care or elder care) and not a separate FSA for healthcare expenses.

4. What expenses are covered under an LPHC FSA?

An LPHC FSA covers out-of-pocket dental and vision [eligible expenses](#) not covered by insurance provided to you, your spouse, or eligible dependents.

5. How do I benefit from a LPHC FSA?

Internal Revenue Service rules do not allow you to contribute to an HSA if you have a GPHC FSA. By limiting FSA reimbursements to dental and vision care expenses, you remain eligible to participate in both an LPHC FSA and an HSA, maximizing your savings and tax benefits. If you do not have an HSA, but want a Health Care FSA, you should enroll in the standard GPHC FSA instead of the LPHC FSA to maximize the eligible expenses you can seek reimbursement for.

6. When are LPHC FSA funds available?

Your full LPHC FSA election amount (also known as your Annual Goal) is available to you on the effective date of your enrollment, which is January 1, 2023 for employees who enroll during Benefits Open Enrollment (BOE).

7. Does a LPHC FSA allow Carryover for unused funds?

Yes. Employees may carry over up to \$610 of unused Health Care FSA funds into the following plan year.

8. Can I have a both a GPHC FSA and a LPHC FSA?

No. Internal Revenue Service rules only allow enrollment in a single type of Health Care FSA during one plan year.

9. Can I use funds from both an HSA and the LPHC FSA to cover the same eligible expense?

No. An eligible expense may only be covered by funds from a single account. You cannot use funds from both an HSA and the LPHC FSA for the same expense reimbursement.

10. Will I receive an LPHC FSA credit card to pay for eligible expenses?

Yes. HealthEquity|WageWorks will mail you an LPHC FSA Card before the date that your FSA plan is effective.

11. Can I ever use LPHC FSA funds for out-of-pocket health related expenses?

LPHC FSA remains limited to vision and dental [eligible expenses](#) until an employee meets the Internal Revenue Service required minimum annual in-network deductibles (which differs from the State HDHP annual in-network deductibles) and provides proof to HealthEquity|WageWorks that the deductible limit was met. They will need to obtain an Explanation of Benefits (EOB) from their health insurance carrier verifying they or their covered dependents met the Internal Revenue Service in-network annual deductible. Once they've submitted their EOB and the [HSA/HDHP Deductible Form](#) to HealthEquity|WageWorks, they can also use their Health Care FSA for health and prescription drug [eligible expenses](#) through the remainder of that calendar year. For 2023 the IRS deductible maximums are \$1500 for single and \$3000 for family coverage.

12. How is an LPHC FSA funded?

You fund your LPHC FSA through payroll deductions. During the BOE period, you designate how much you would like to contribute to your account for the coming calendar year (referred to as designating your Annual Goal). The maximum amount you can contribute is determined by the Internal Revenue Service. For plan year 2023, the annual maximum amount is \$3,050. The state then deducts your contribution amount from your paychecks throughout the plan year, but your entire annual goal is available to you beginning with the effective date of your coverage.

13. What happens to my LPHC FSA funds at the end of the calendar year?

Similar to the standard GPHC FSA, you can carryover up to \$610 into the next plan year. Any amount over that is forfeited after the run-out period allowing you to submit eligible claims for plan year 2023 ends on March 31, 2024.

14. How does enrollment in an HDHP with HSA affect my ability to enroll in a Health Care FSA?

Employees who enroll in an HDHP with HSA mid-year can elect the LPHC FSA. If an employee has elected a standard GPHC FSA for the 2023 plan year and later experiences a qualifying life event (QLE) allowing midyear enrollment in an HDHP with HSA, they cannot transition from the GPHC FSA to an LPHC FSA, and cannot make or receive contributions to their HSA for the remainder of that calendar year.

15. If I'm enrolled in an HDHP with HSA and an LPHC FSA for plan year 2023 and have LPHC FSA funds carry over to plan year 2024, will those funds stay in an LPHC FSA regardless of whether I remain enrolled in the HDHP with HSA for plan year 2024?

Those funds, up to the Carryover maximum of \$610, would be carried over to a LPHC FSA for plan year 2024. If you do not enroll in an HDHP with HSA for plan year 2023, you could enroll in a GPHC FSA to ensure the carryover funds are in a GPHC FSA. If you don't re-enroll in a Health Care FSA for plan year 2024, you can contact HealthEquity|WageWorks to request that the Carryover balance be transferred to a GPHC FSA effective January 1, 2024.

16. If I enrolled in a GPHC FSA for plan year 2022, don't re-enroll for plan year 2023, and have funds that carry over to 2023, can I still access those funds if I enroll in an HDHP with HSA for plan year 2023?

Yes. In this scenario, if the HDHP with HSA enrollment took effect January 1, 2023, the GPHC FSA Carryover amount would transfer to an LPHC FSA. The HealthEquity|WageWorks system will automatically update the GPHC FSA to an LPHC FSA plan based on the 2023 HSA contributions being received.

17. If I experience a mid-year qualifying life event (QLE) that allows me to enroll in an HDHP with HSA, can I switch my GPHC FSA to an LPHC FSA?

No. Enrolling in an HDHP with HSA would not allow you to change or cancel your GPHC FSA election to establish HSA eligibility or to enroll in an LPHC FSA. Per Internal Revenue Service Notice 2005-86, an individual who is covered by a GPHC FSA is ineligible for HSA contributions for the individual's entire period of coverage under the GPHC FSA, even after the individual has completely exhausted the GPHC FSA balance. Coverage in a GPHC FSA will render the participant ineligible to make or receive contributions to the HSA for the entire plan year.

18. If I experience a mid-year qualifying life event (QLE) that allows me to disenroll from an HDHP with HSA and I'm currently enrolled in an LPHC FSA, can I switch to a GPHC FSA at that time?

No. In accordance with Internal Revenue Service rules, you would be required to remain in the LPHC FSA for the remainder of that plan year.

19. If I'm currently enrolled in a GPHC FSA and I elect an LPHC FSA, will I receive a new Card from HealthEquity|WageWorks?

No. Your current HealthEquity|WageWorks Health Care FSA Card can be used; their system is set up to link your Card to the plan you're enrolled in. For 2023, if you elect an LPHC FSA, then only eligible dental and vision transactions will be approved on the Card.