

Limited Purpose Health Care (LPHC) FSA FAQs

Federal regulations prohibit funding a Health Savings Account (HSA) if an individual is also enrolled in a standard General Purpose Health Care (GPHC) FSA. Beginning in 2021, the state will offer 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 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 a Limited Purpose Health Care FSA?

Yes. Each spouse may contribute up to the annual maximum of \$2,750 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 IRS 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 a Limited Purpose Health Care 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 Limited Purpose Health Care FSA?

IRS rules do not allow you to contribute to a Health Savings Account (HSA) if you have a General Purpose Health Care FSA (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 Limited Purpose Health Care 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, 2021 for employees who enroll during BOE Part 2.

7. Does a Limited Purpose Health Care FSA allow Carryover for unused funds?

Yes. Employees may carry over up to \$550 of unused Health Care FSA funds into the following plan year.

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8. Can I have a both a General Purpose Health Care FSA and a Limited Purpose Health Care FSA?

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

9. Can I use funds from both a Health Savings Account and the Limited Purpose Health Care 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 a Limited Purpose Health Care FSA debit card to pay for eligible expenses?

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

11. Can I ever use Limited Purpose Health Care FSA funds for out-of-pocket health related expenses?

Your LPHC FSA remains limited to dental and vision [eligible expenses](#) until you meet the State HDHP in-network annual deductible and provide proof to WageWorks that the deductible was met. You will need to obtain an Explanation of Benefits (EOB) from your health insurance carrier verifying you or your covered dependents met the in-network annual deductible. Once you've submitted your EOB and the [HSA/HDHP Deductible Form](#) to WageWorks, you can also use your HC FSA for health and prescription drug related [eligible expenses](#) through the remainder of that calendar year.

12. How is a Limited Purpose Health Care FSA funded?

You fund your Limited Purpose Health Care FSA through payroll deductions. During the Benefits Open Enrollment 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 IRS. For plan year 2021, the annual maximum amount is \$2,750. The state then deducts your contribution amount from your paychecks throughout the plan year, but your entire annual goal is available to you beginning January 1, 2021.

13. What happens to my Limited Purpose Health Care FSA funds at the end of the calendar year?

Similar to the standard GPHC FSA, you can carryover up to \$550 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 2021 ends on March 31, 2022.

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

Employees that enroll in an HDHP with HSA midyear can elect the Limited Purpose HC FSA. If an employee has elected a standard GPHC FSA for the 2021 plan year and later experiences a qualifying life event allowing midyear enrollment in an HDHP with

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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 Limited Purpose Health Care FSA for plan year 2021 and have LPHC FSA funds carryover to plan year 2022, will those funds stay in a LPHC FSA regardless of whether I remain enrolled in the HDHP with HSA for plan year 2022?

Those funds, up to the carryover maximum of \$550, would be carried over to a LPHC FSA for plan year 2022. If you do not enroll in an HDHP with HSA for plan year 2022, you could enroll in a GPHC FSA to ensure the carryover funds are in a GPHC FSA. If you don't reenroll in a HCFSA for plan year 2022, you can contact WageWorks to request that the carryover balance be transferred to a GPHC FSA effective January 1, 2022.

16. If I enrolled in a General Purpose Health Care FSA for plan year 2020, don't re-enroll for plan year 2021, and have funds that carryover to 2021, can I still access those funds if I enroll in an HDHP with HSA for plan year 2021?

Yes. In this scenario, if the HDHP with HSA enrollment took effect January 1, 2021, the GPHC FSA carryover amount would transfer to an LPHC FSA. WageWorks' system will automatically update the GPHC FSA to LPHC FSA plan based on the 2021 HSA contributions being received.

17. If I experience a midyear qualifying life event that allows me to enroll in an HDHP with HSA, can I switch my General Purpose Health Care FSA to a Limited Purpose Health Care 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 a LPHC FSA. Per IRS 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 midyear qualifying life event that allows me to disenroll from an HDHP with HSA and I'm currently enrolled in a Limited Purpose Health Care FSA, can I switch to a General Purpose Health Care FSA at that time?

No. In accordance with IRS 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 General Purpose Health Care FSA and I elect a Limited Purpose Health Care FSA, will I receive a new Card from WageWorks?

No. Your current 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 2021, if you elect a LPHC FSA, then only eligible dental and vision transactions will be approved on the Card.