



Fort Bend County Podcasts

Podcast Episode 26- Flexible Spending

November 21, 2024

Gina- Welcome to this week's Benefit Detective podcast. I'm Gina, and let's welcome back our other benefit detective, Wendy.

Wendy- Hi. I'm back. And we have 2 guests with us today, Rachel Lerner-Morse.

Gina- And Gerardo Figueroa.

Wendy- With our Boon Chapman flexible spending department.

Gina- Hey, guys. How are you guys?

Rachel- Good. How are you?

Gerardo- Hello.

Gina- Good. Good. Now before we begin, can you tell us a little bit about yourselves?

Rachel- Sure. My name is Rachel Lerner-Morse, and I'm the manager of the flex team. I've been with Boon Chapman for almost 13 years now.

Gerardo- I'm Gerardo Figueroa, and I have also been with the company, for 13 years, with, the flex department.

Gina- Nice, alright.

Wendy- So, let's get started. What is the flexible spending?

Rachel- A flexible spending account is a pretax account, typically funded by the participant, and it is governed by IRS regulations. So, if you have any questions about what's covered, you can go to the FSA store that has a list of pretty much everything that's covered. But it's mostly out of pocket medical expenses that are approved by the IRS. It can be prescriptions, eye care, dental care, things like that. So, it is also known as a use it or lose it account. So, you have to it's not portable like an s a s a oh my god. HSA would be, you have to use all the funds in the account. So, if you leave the company, the money can't come with you. There's also typically a, what we call, rollover amount, and the group will give you, a set amount that they you can carry over into the next year if you don't use all your funds.

Wendy- Okay. And what is the difference between a health care reimbursement and a dependent care reimbursement?



Fort Bend County Podcasts

Rachel- Dependent care reimbursement is for day care costs. It has to be for children under the age of 13 or for an adult who is unable to care for themselves. It is also regulated by the IRS, and the contribution limits for that are generally, \$5,000 per household annually or \$2500 for married individuals filing separately. Again, the dependent has to be younger than 13. You cannot have a spouse that is a stay-at-home parent. Everybody has to be either working or in school. You have to be attending school full time, and you have to, be able to claim the dependent on your tax return if you're married. It covers things like preschool, summer day camp. It does not cover things like, registration or membership fees. However, it will cover before and after school programs. It can cover babysitters, but there are very specific rules to that, about who the babysitter can be, you know, and you have to also provide their tax ID number. One other thing I'm sorry. One other thing. I apologize. Dependent care is the funds must be used within the plan year. There's no rollover for that, and there's no grace period.

Gina- And that one's the accrual system. Right?

Rachel- Yes. That is also the accrual system, whereas an FSA is front funded. Like, all the funds are available on the 1st day. The dependent care is payroll dependent. So, every time the payroll goes through, and they put their amount in, that's all they have access to as it builds up over the year.

Gina- Now who can use the flexible spending? Do you have to be on the medical plan in order to use that? Some people don't understand that.

Gerardo- Anybody that is a legal dependent of the employee, and IRS defines legal dependent as, a dependent that can't be claimed on their tax returns, flex funds can be used on. And, no, FSA is not medical plan enrollment based. So, FSA is a standalone benefit that is not tied to any medical benefit enrollment. So, even if you don't participate in a Fort Bend County's medical plan, you can have flex and anybody within your immediate household can use it as long as they are a legal dependent of the participants in on their tax returns.

Gina- Awesome. And, you know, some people don't understand why do they need to provide receipts or EOB.

Gerardo- Well, let's go back a little bit. Rachel kind of indicated that in what is an FSA and, FSA is IRS governed. And so, because of that, they do require substantiation of the funds used to ensure that funds are used for eligible medical services. And we define medical services as all 4 types of eligible expenses. So dental, vision, prescription, medical, it's all sort of lumped up into one category, which is medical. So as long as, funds are used for eligible medical services within the funded plan year, IRS deems that as an eligible use. And, unfortunately, when you do use your flex card to pay for something, we don't get any details with regards to what you are paying for, what the services are, when the services were incurred. Only thing that we see is the merchant or the provider's name, the date that it was charged, and the amount that was charged. We don't know any details. So, unfortunately, IRS says that, as a TPA or the administrator, we're responsible to ensure that flex funds are being used, properly as defined by their rules.



Fort Bend County Podcasts

Gina- So, I know that there's been people that say, I need a list. Is there a list or something of showing what is eligible? And we went ahead, and we actually had annual enrollment, and we put out information on the flexible store. Let me tell you, I love the flexible store. Now that I know how to work it, thank you, Gerardo.

Rachel- Isn't it awesome?

Gina- It is a great service.

Gerardo- It's So awesome.

Gina- Yes. So for an eligible expense list, seeing all they really have to do is just go there then, right, and just go to the old school? Okay.

Gerardo- Yeah.

Gina- So I did put information about that inside of our annual enrollment packet. So that is available to those that still have their annual enrollment packet and would like more information of that. Or they can also contact risk management, and we can gladly send them that part of the packet to them. But, yeah, that is a great tool. I love that. Let me just say.

Gerardo- I love the FSA store.

Gina- Yes.

Gerardo- Just I mean quick one real one real quick thing on that one. So, we use FSA store a lot, actually, and it's not it's not just a where you can go and buy something, although you do you have that that ability, but a lot of people use it to determine if an item let's say, an over-the-counter item is covered or eligible. If you search let's just say you want to know if Tylenol is a covered expense. Yeah. Yes, it is, and you can purchase it through FSAstore.com. It might be a little bit higher, you know, but if you want to use your card, that's great. But if you want to save a little bit of money, your FSA funds, then look it up look up an item. And if it's eligible under the FSA store, then go to your local Walmart, CVS, and HEB, and purchase it through there because it might be a little bit cheaper. And if you go through the pharmacy lane, you shouldn't have a problem.

Gina- Awesome. Alright. Well, thank you both for joining us in this part 1 of the flexible spending episode with Benefit Detectives. That was great information. Well, I'm Gina.

Wendy- And I'm Wendy. And due to Thanksgiving holiday, there will not be a podcast next week, but please join us the following Thursday for part 2 of the Flex.

Gina- And remember, the benefit detectives are here to help.