

UVA For Your Benefit: HSAs and FSAs

Transcript of Podcast

SPEAKERS

Nathan Moore, Elizabeth Feola, Brandon Kenty, Margaret Marsh

Nathan Moore: Hey, Elizabeth. How are you doing? It's been a while.

Elizabeth Feola: I know! It's going okay. You know I had a baby, and she's in daycare, and we constantly have some sort of illness.

Nathan Moore: Right. I think daycares are some sort of petri dishes.

Elizabeth Feola: It absolutely is, and it goes through every single family. So, I had to take her to the doctor today. Had to pay a copay. You know, the bills just add up.

Nathan Moore: Yeah. Do you have any money left on your Bene card this year?

Elizabeth Feola: I am totally out of money already on my Bene card, so it's now coming directly out of my checking account.

Nathan Moore: You've got to sort it out.

Elizabeth Feola: Yes.

Nathan Moore: I think there's some people who can tell us more about how this all works.

Elizabeth Feola: Okay, let's do it.

intro music

Nathan Moore: Welcome to UVA For Your Benefit. It's that time of year again when we ask you to think about your benefits, and today, we're talking about flexible spending accounts and health savings accounts. All those money parts. UVA health benefits. The ways to actually pay for your care. Well, to help us dice through all this, we're joined in the studio by two benefits specialists at UVA Human Resources, Brandon Kenty and also Margaret Marsh. Welcome to the show!

Brandon Kenty: Thanks for having us.

Margaret Marsh: Great to be here.

Elizabeth Feola: Let's start off with some important definitions of what we're going to talk about today.

transition music

Elizabeth Feola: Brandon, can you define for us an HSA or a health savings account?

Brandon Kenty: Absolutely. HSA, health savings account, is tied to the basic health plan. You only have an HSA if you are enrolled in the basic health plan, and it lets you put tax free dollars away and pay for health expenses.

Elizabeth Feola: Right, and can you also define what an FSA is, or a flexible spending account?

Brandon Kenty: So there's three different flexible spending accounts. There's the full flexible spending account, which you're only eligible to have if you're in the choice or value health plans. And there's the limited flexible spending account, which you're only eligible for if you're in the basic health plan. Then there's the dependent daycare flexible spending account, and you can have that no matter which, basic, choice, or value, plan that you have. And the FSAs are use or lose plans. You must use the funds by the end of the year or you lose them.

Elizabeth Feola: Margaret, can you also define for us a Bene card or Benefit card?

Margaret: So the Bene card is the red card that many of you have in your wallet. Those cards are great. Carry them with you, and you can use it when you have eligible health expenses. If you go to the doctor's office, if you go to the pharmacy, any of those. You pay with this card and it will take money out of your account, whichever one is appropriate.

Elizabeth Feola: So if you have an HSA or an FSA, you're going to be using a Benefit card or you can use a benefit card?

Margaret Marsh: Mhm. Absolutely.

Elizabeth Feola: And you can also submit a claim online as well if you aren't interested in using a benefit card. Is that right?

Margaret: Yes, you can do that. If you do that, you're going to pay upfront and then when you submit the request for reimbursement and you provide the receipt, then they will send you, they will actually deposit money in your checking account.

Elizabeth Feola: And can you also define for us what a seed fund is?

Margaret Marsh: Okay, so the seed fund or the seed money is the money that the University of Virginia gives to employees up front at the beginning of the year if they have a health savings account. If you are enrolled in basic health, employee only, you will receive \$1,000 at the beginning of the year and get it after your first paycheck run of the calendar year. If you have employee plus children, employee plus spouse, or family coverage, you receive \$1,500 dollars, and that is put into your HSA so you can use it for eligible health expenses.

Elizabeth Feola: Alright, actually, I'm kind of curious, could you all explain how pre-tax dollars work? And how the employee would actually save money by having one of these accounts set up?

Margaret Marsh: When you use pre-tax dollars, that means that when you are paid, when you receive your biweekly or monthly paycheck, you have money taken off the top of that. Contributions that go into your FSA or your HSA, and they're taken before taxes are assessed on your paycheck. So, you save money because you're not being taxed on this money that's going into your savings account.

transition music

Elizabeth Feola: We've divided this podcast into two sections, so it's incredibly clear which accounts we are talking about because HSA and FSA do kind of sound similar. So our first section is actually going to be about the HSA or the health savings account, so, if you are not interested in having the basic health plan, you might want to fast forward a little bit.

sound of tape fast forwarding

Elizabeth Feola: Alright, Brandon and Margaret, can you tell us what the benefits are of having a health savings account?

Brandon Kenty: So, again, the health savings account is pre-tax dollars that are put away to a savings account for you to use for healthcare expenses.

Margaret Marsh: In addition to that, this money carries over year after year after year, so you can put the money aside in 2018 and you don't have to spend it until, well, before you die.

Nathan Moore: It would be hard to spend after you die.

Margaret Marsh: It's your money. You take it with you.

Elizabeth Feola: You can?

Margaret Marsh: Yes.

Elizabeth Feola: Oh wow, that's hysterical, actually. I didn't know you could leave an HSA

to somebody.

Margaret Marsh: Yes!

Elizabeth Feola: Does that person have to only spend it on bandaids?

everyone laughs

Margaret Marsh: You know what, I'm not sure. I don't know. I actually have a beneficiary for my HSA. If you leave the University of Virginia, you take it with you when you retire, so this is all your money. You can use it for eligible health expenses at any point in the future.

Elizabeth Feola: So another huge benefit of having an HSA is the university's giving you \$1,000 a year.

Brandon Kenty: If you're employee only coverage, you get \$1,000 per year. If you're anything more than that, plus child, spouse, or family, you get \$1,500 dollars from the university.

Margaret Marsh: And the reason they give you that money is to help you pay for, it's to help you pay for the deductible because the HSA's part of basic health, as we learned earlier. The basic health is the high deductible health plan, so you have to pay the first \$2,000, \$4,000 of your expenses before the health plan kicks in and pays for anything that's not preventive. Remember, all preventive is paid at 100% if, in fact, it's truly preventive. So, this money the university gives you, this \$1,000 or \$1,500, you can use to pay toward your deductible. And you've got lower premiums also in the basic health, so you're saving money in lots of different ways.

Nathan Moore: I know one thing that some people I know who've switched from that middle premium plan to the basic health plan. They get real sticker shock when they get those first bills from the doctor's office, like, hold up, this used to be \$30, now it's like \$120. What's going on with that? But it's because of that?

Margaret Marsh: That's exactly right. If they look at how much money they actually spend in their premiums, how much they are saving there and then guess what happened with that \$1,000 or \$1,500 that was put in there to start with? You know you're- it's a different mindset. Once you get used to it, to the calculations, you know on paper, and you see how much you're going to save, then it's, the sticker shock is worth it.

Nathan Moore: *laughs*

Elizabeth Feola: Can you tell us about what the employee can contribute to the HSA?

Brandon Kenty: Yep, so if you have employee only coverage, you can contribute up to \$3,500 in 2019. If you have family coverage, you can contribute up to \$7,000 in 2019. Both of those you can contribute an additional \$1,000 if you're age 55 and over and all those limits include what the

university gives you, so if you're employee only coverage, you've got \$1,000 from the university. You, yourself, you would only want to put in \$2,500 so that you don't exceed that \$3,500 limit.

Nathan Moore: Obviously, you can only have an HSA if you have the basic health plan. Is there anybody else who can't have an HSA for some reason?

Margaret Marsh: There are some other populations, and the most important one, I think, is anyone who is eligible for Medicare or Medicaid. If you have either of those insurances, then you are not eligible to put money in an HSA, which means you're not eligible to enroll in basic health. So as an employee, when you turn 65, you need to make sure you know whether or not you're enrolled in Medicare or not. You don't have to enroll. Some folks think that they need to do that, but the minute you enroll in Medicare, you can no longer contribute money to an HSA, which means you can no longer be in our basic health option.

Nathan Moore: And it's always worth checking the website of course. It's hr.virginia.edu. You can just navigate over to staff and faculty benefits to answer all the detailed questions we can't cover in this podcast.

transition music

Nathan Moore: Elizabeth, do you want to cover FSA's as well, flexible spending accounts?

Elizabeth Feola: Yes, this section is going to be about flexible spending accounts. Margaret and Brandon, can you tell us about the benefits of having an FSA and when do you actually set up a flexible spending account?

Brandon Kenty: So, you set up a flexible spending account when you're either newly hired or during open enrollment.

Margaret Marsh: So the benefits of having a flexible spending account are ones we've spoken about for the HSA, really the tax benefits are the biggest thing. With the flexible spending account, you have to use it or lose it, so you have to be really careful of how much you set for your goal amount for each year. During the open enrollment period, you can go in and elect \$2,500 for the health FSA, and you might want to look at your prior year's expenses, how much you paid in copays, deductibles, etc when you set them up because you need to use all of that money by March 15th of the following year. You need to use all of that money or you lose it.

Nathan Moore: Alright, so it's open enrollment time and you've got, let's say, the medium or high monthly premium accounts, the value or the choice health benefits accounts, you can enroll in FSA's, the flex spending accounts, and there's a couple kinds you can enroll in. There's the health one that you were just talking about, and there's also these dependent care flex spending accounts. What do those cover, the dependent care ones?

Margaret Marsh: So the dependent care account will cover daycare for a dependent under the age of 18 or can also cover disabled adult children or elders who live with you and are claimed on your tax return. You have to have already put aside the money, it has to have come out paycheck in order for you to use it. There isn't any money- your money doesn't go in there at the beginning of

the year. It accumulates as it comes out of your paycheck. Whereas, with your healthcare FSA, you full healthcare FSA, that money that you are saying is your goal amount, you're going to contribute through each of your paychecks. That's made available through your first paycheck of the calendar year for your to spend.

Nathan Moore: And these are two completely separate accounts as well, you can't use dependent care to go pay for a clinic visit just like you can't use a health FSA to go pay for your kid's daycare.

Margaret Marsh: You're exactly right. They're entirely separate. The money is not mixed and you need to make sure you understand that when you sign up because if you sign up for the wrong one, these are governed by the IRS, so you can't change it once you've made that decision.

Nathan Moore: Alright, well you're listening to UVA For Your Benefit. My name's Nathan, I'm here with Elizabeth. We are going to take a short break. We'll be back in just a second with voicemail from listening just like you.

transition music

Nathan Moore: You're listening to UVA For Your Benefit, a service of the University of Virginia and podcasting on the TEJ.fm network, that's TEJ.fm. UVA For Your Benefit is sponsored by Chard Synder, which administers employee benefits plans, including the flex spending accounts and the health savings accounts here at the university. Find out more at hr.virginia.edu. Just click on 'Benefits' and then 'Benefits Savings Accounts.'

transition music

Nathan Moore: Well welcome back to UVA For Your Benefit. It's time, that time, when we check the voicemail questions from callers like you who want to know more about how FSAs and HSAs work. So, let's take the first one.

Caller 1: So I know open enrollment coming up. I'm on that mid level plan, but I've never bothered with setting up an FSA before. I don't know, and I don't have a ton of medical expenses, just occasional docs for check ups and whatnot. Should I consider having an FSA?

Margaret Marsh: If you spend at least \$120 a year, you certainly can. That's the minimum contribution per year, and you will save tax money no matter how much you put aside.

Brandon Kenty: I would just be careful because those plans are use or lose, so be careful in the amount that you elect. If you don't use it, you will lose it.

Nathan Moore: So play conservatively.

Brandon Kenty: Yes.

Nathan Moore: Well, let's go to another voicemail.

Caller 2: My Benny card stopped working and it seems to be suspended. How can I get my Benny card reactivated?

Elizabeth Feola: You know that would be a really good question for Julie at Chard Synder. Why don't we see if we can get her on the phone.

Nathan Moore: Alright, let me dial it.

phone rings

Julie: Good afternoon. Thank you for calling Chard Synder. This is Julie, how may I help you?

Nathan Moore: Hi Julie, this is Nathan Ward WTJU at the University of Virginia. How are you?

Julie: Hi Nathan, good! How are you?

Nathan Moore: I'm great. I'm great. The question we had was, "so why did my Benny card get suspended, and can I get it reactivated?"

Julie: That is a great question! So when a person swipes their card, the transaction, depending on where they go or what the services are, it's going to flag sometimes for substantiations. So, one person might say, "Hey, I just went to the hospital. I went to the doctor. It seems to be obvious that this is an eligible expense." We don't actually see what is done, so in those situations because of how it's coded, it could come up and need substantiation. When that's the case, a person will get a notification, so typically, that's an email to them explaining what it is they need to do.

They can also see that if they log in to their account. It'll be on their account as well if they use their mobile app and login, it'll be a big alert there, they can see that request. If, for some reason, they miss it, usually, there are two more that are sent to them and then, at some point, that card will go on hold. And that kind of gets their attention too. They can call in or login and go look at their account to see what it is that's needed.

So typically, it's just that an itemized receipt is needed, which would show the doctor, the provider's name, what the service was, the date of service, and just, specifics, the person that received the service would have to be on that itemized receipt. So occasionally sometimes a person will send something right away and it will come to us and it will show, say that, it was in the wrong service or the plan year or that it was just an ineligible expense. In that situation, the card would be on hold. We'd ask them to provide more documentation or actually provide either payback or they can submit it for another expense that would be able to offset that that would be eligible.

One of the things that's really helpful, Nathan, is if a person, once they've logged into their account, they can go ahead and download the mobile app, and with the mobile app, there's all kinds of great resources there. They can see the amount that they have in their account, they can see all the details of their account, if it's a matter of just taking a picture and submitting a receipt, maybe they've already downloaded it to their phone, they can just submit that right there on their phone. It's so, so simple.

Nathan Moore: I can vouch for that mobile app as well. I've used that a number of times myself, and it's great. It's helpful.

Julie: Oh good! Good, good, good. Good to hear!

Nathan Moore: One other way I know, maybe from personal experience, that the card can be

expended if you use it to pay for previous year's expenses. *laughs*

Julie: *laughs* Exactly! That's one of those things we would let you know. Oh, this was not eligible, so you'll need to either pay it back or offset that expense, but that's kind of the checks and balances we have. And, you know, it's not convenient for some people. They're like, "Why did I get this? It's obvious." We're just trying to keep everybody in compliance, and that includes the participants. We're trying to help them as well. And just making sure that everybody's good with the IRS. That's kind of our help, and we have customer service here, so if anybody ever has questions, I would never want anyone to get frustrated with that, but we encourage them to call us and let us help resolve that.

Nathan Moore: Alright, Julie. Thank you so much!

Julie: You're welcome! Have a great day!

Nathan Moore: Alright, cool. Back to the voicemail box. Next up.

Caller 3: So I've got \$100 left in my FSA, but I don't have any medical bills left for this year. What can I do with my money? How long do I have to spend it?

Brandon Kenty: So you have until March 15th of the following year to use the money. You can use it on any eligible healthcare expense, and you can also go online, there's a FSA store where you can spend that money down, but if you don't use it by March 15th, you will lose it.

Nathan Moore: Where do you find this FSA store? What is that?

Brandon Kenty: There is a link on our website, and there's a link on Chard Synder's website. It's basically where you can buy medical items.

Nathan Moore: Like stock up on bandaids here?

Brandon Kenty: Sure.

Margaret Marsh: Or you can just go to the drugstore, the buy it all store, and just buy those sorts of things. Bandaids are good. That's always worked for me. I have waterproof bandaids, I've got the ones, you know, with little pictures on them. I've got them all.

Nathan Moore: *laughs*

Elizabeth Feola: Do bandaids expire?

Margaret Marsh: I don't think so.

Nathan Moore: Alright Elizabeth, so we've had a lot of conversations here today about health savings accounts, flex savings accounts. I feel like I know a little bit more about where the money ought to go and why. Tell me, what do you think of this?

Elizabeth Feola: Well this really just tells me even more. That having a flexible spending account

or having a health savings account can really help your budget.

Nathan Moore: The one that I was amazed by when I started working here, when I was a parent, I was paying daycare costs and preschool costs. That dependent care FSA is terrific. I mean it helps the bottom line as much as any benefit we've got

Elizabeth Feola: As a new mom with a one-year-old, I can't imagine not setting up a dependent daycare account. I also think something else we've learned from this conversation is that during open enrollment, we all really need to be going in and checking to make sure that we still want this money going into our FSA or that we still want the same deductions going into FSA because if you make no changes, the same thing is going to happen the next year that is happening this year. So just another reminder to go in and make sure that you still want this money going into these accounts.

Nathan Moore: Same amount.

Elizabeth Feola: Yes.

Nathan Moore: Alright, so in the next episode we're going to blaze through all kinds of things: open enrollment, vision and dental, prescriptions. It's going to be fun.

Elizabeth Feola: It'll be great. It'll prep us all for open enrollment this year.

Nathan Moore: Cool. Thanks for tuning in. As always, visit hr.virginia.edu for all the details of all these plans and all the savings accounts we have as staff and faculty benefits here at the university. I'm Nathan Moore.

Elizabeth Feola: I'm Elizabeth Fiola.

Nathan Moore: Take care.

closing music