

Flexible Spending Accounts Employer Trends

— Rollover — vs. — Grace Period —

Employees can rollover up to \$500 of FSA contributions left at the end of the year to use in the next plan year.

Employees can roll over their entire unused account balance into the following year to pay for medical expenses incurred during the first 2 ½ months of the next plan year before the money is forfeited.

Employer

Pros +



Less wasteful year-end FSA spending by employees to avoid losing funds



Possible increased employee participation due to lack of worry over losing entire balance resulting in increased employer FICA savings

Cons -



Reduced forfeitures or unused balances could decrease significantly, resulting in less funds being available to employers to help offset their FSA administrative costs



Employees can carry-over their \$500 balances year after year, even if they don't contribute the following plan year.

Employers would have to track the money continually creating additional administrative expenses

Employee

Pros +



Less worry about spending their FSA dollars before the year runs out



Carry-over balance of \$500 is available for the entire next plan year



Carry-over balance from one year could rollover year after year

Cons -



Only \$500 can be carried over and used during the next plan year, where as under the grace period option, the entire balance could be used in the first 2 ½ months of the next plan year



Have less money to preplan and pay for major healthcare expenses early in a plan year.

Only \$500 balance + \$2,500 for a \$3,000 total vs. the grace period option of \$2,500 balance + \$2,500 for a total of \$5,000 until mid-March



Healthcare Trends Institute
www.HealthcareTrendsInstitute.org

Sponsored By: **evolution**
a **wex** company

© Copyright 2014. Healthcare Trends Institute.

Sources: Business Insurance, FSAs falling out of favor as rules evolve. 4/14/2014, Vol. 48 Issue 8
Business Insurance, Rule allowing FSA carry-overs has pros, cons, 11/18/2013, Vol. 47 Issue 23