

NCFlex General FSA and a Spouse's HSA Coverage Q&A

February 2022

Q: I am enrolled in NCFlex's general Health Care FSA program. My spouse is enrolled in an HSA through work. Does my enrollment in this plan disqualify my spouse from funding an HSA?

A: It does. Under federal tax law, your Health Care FSA can reimburse the eligible expenses of you, your spouse, and your children up to age 26. This means that your spouse can't contribute to their HSA before the end of your Health FSA plan year (January 1st – December 31st), regardless of whether or not you use the Health Care FSA to reimburse your spouse's expenses. However, even though your spouse may not contribute to their HSA during your enrollment in your Health Care FSA, your spouse can continue to receive distributions from their HSA of any existing HSA funds they previously contributed.

Q: I am enrolled in the NCFlex general Health Care FSA through which I can make pre-tax elections and then reimburse certain medical, dental, vision, and over-the-counter services, equipment, and supplies tax-free. Does my enrollment in this plan affect my spouse's eligibility to fund an HSA?

A: Yes. Your spouse can't contribute to an HSA during any month in which you participate in a general Health Care FSA, even if you're also enrolled in the HSA-qualified medical plan that your spouse's employer sponsors and you meet all other eligibility requirements, and even if you do not use your general Health Care FSA to reimburse your spouse's expenses.

Q: If I spend my entire balance before the end of the general Health Care FSA plan year, can my spouse contribute to their HSA as of the date that I have a zero balance?

A: No. Your spouse remains covered by your Health Care FSA during the full Health Care FSA plan year, even after you spend your entire election. Your spouse can't contribute to an HSA when you're enrolled in a health FSA even with no benefit (balance) remaining in your Health Care FSA.

Q: The NCFlex general Health Care FSA runs on a calendar year. My spouse's medical plan renews May 1. Can I disenroll from my Health Care FSA at the end of April so that I'm HSA-eligible May 1?

A: No. Enrolling in an HSA-qualified medical plan is not a qualifying event that allows you to disenroll from your Health Care FSA. You remain enrolled in the Health Care FSA until the end of the plan year, December 31st. Your spouse can enroll in the HSA-qualified medical coverage to take advantage of the lower premium but can't open and fund an HSA before January 1st at the earliest due to your enrollment in the Health Care FSA. In the meantime, you can continue to spend your Health Care FSA balances for your spouse's eligible expenses, including your out-of-pocket expenses (deductibles, copays, and coinsurance) associated with their HSA-qualified medical plan.

Q: I want to enroll in my spouse's HSA program now, during my spouse's open enrollment. I am enrolled in the general Health Care FSA through the end of the plan year. What can we do?

A: Unfortunately, you can't disenroll from your Health Care FSA at this time. Below are your options.

1. You can enroll in your spouse's HSA-qualified plan, reimburse eligible expenses from your general Health Care FSA through the end of the plan year (December 31st), and then make sure you don't re-enroll in the NCFlex Health Care FSA for the next plan year (January 1st). After the close of the NCFlex Health Care FSA plan year, your spouse can begin funding their HSA and reimburse tax-free all eligible expenses that you, your spouse, and your children to 26 incur after the date that you establish your HSA (usually the date of the first deposit into the account).
2. You can delay enrollment into your spouse's HSA program until your spouse's next open enrollment period and make sure you don't re-enroll in the Health Care FSA. You won't have a tax-advantaged reimbursement account (Health Care FSA or HSA) for the seven-month period (in our example) between the end of your Health Care FSA plan year and your enrollment in your spouse's HSA program.

Q: The NCFlex general Health Care FSA allows a carryover of up to \$550 into the next plan year. How does that feature impact my spouse's HSA eligibility?

A: This carryover can lock your spouse out of funding an HSA for the full 12 months of the plan year. You can avoid this scenario by spending your entire balance and submitting all claims before the end of the plan year. Or, if you carry a balance at the end of the Health Care FSA plan year, you can opt to forfeit the remaining balance in order for your spouse to be eligible to fund their HSA for the following year.