How an SHA sponsored FSA interacts with other employer's HSA benefit:

SHA offers eligible employees the opportunity to enroll in a Healthcare Flexible Spending Account (FSA). Enrollment into a Healthcare FSA offers tax break incentives to SHA employees but may pose tax repercussions when paired with a spouse/domestic partner's Health Savings Account (HSA) benefit. For the most part, once an employee is enrolled in the SHA Healthcare FSA, they remain enrolled for the entire plan year. (At SHA, the plan year equals the calendar year.) In some circumstances (qualified life events) employees may newly enroll or change their Healthcare FSA contributions but are not able to disenroll or cancel their Healthcare FSA contributions.

FSA = Flexible Spending Account: Seattle Housing Authority offers this benefit to eligible employees:
Employees required to enroll each open enrollment
Carry-over amounts at end of plan year
SHA plan year equals the calendar year
Expenses limited to plan year
Accounts are closed upon termination of employment
Can't close account mid-year

HSA = Heath Savings Account: SHA does not offer this benefit to employees:
Individually owned, so account continues after employment ends
No time constraints for expenses or reimbursements
Has investment options

FAQ:

The interaction of HSAs and Health FSAs: Individuals are required to meet certain IRS eligibility requirements to open and contribute to a Health Savings Account (HSA). Enrollment in certain employer-sponsored benefits, whether offered by your own or your spouse's employer, may impact your eligibility to fund an HSA. Please review the following scenarios to learn more about the interactions between SHA's FSA and a potential HSA.

SHA offers a general Health FSA through which I can make pre-tax elections and then reimburse medical, dental, vision, and over-the-counter equipment and supplies tax-free. Does my enrollment in this plan affect my eligibility for my partner to fund an HSA? Yes. Health FSAs follow many of the same Internal Revenue Service (IRS) regulations as medical plans. Your Health FSA is considered an additional medical plan. Unless all your coverage is HSA-qualified, you're disqualified from opening or contributing to an HSA. You can't open and contribute to an HSA during any month that you participate in a general Health FSA, even if you're also enrolled in an HSA-qualified medical plan and meet all other eligibility requirements.

If I spend my entire balance before the end of the Health FSA plan year, do I become HSA-eligible as of the date that I have a zero balance? No. You remain covered by your Health FSA during the full Health FSA plan year, even after you spend your entire election. You can't become HSA-eligible when you maintain disqualifying coverage, even with no benefit (balance) remaining in your Health FSA.

My Health FSA runs on a calendar year. Can I disenroll from my Health FSA at the end of April so that I'm HSA-eligible? No. Enrolling in an HSA-qualified medical plan is not a qualifying event that allows you to disenroll from your Health FSA. You remain enrolled in the Health FSA until the end of the plan year

(December 31st). You can enroll in the HSA-qualified medical coverage to take advantage of the lower premium, but you can't open and fund an HSA before January 1 at the earliest. In the meantime, you can continue to spend your Health FSA balances for eligible expenses, including your out-of-pocket expenses (deductibles, copays, and coinsurance) associated with your HSA-qualified medical plan.

My spouse is enrolled in SHA's Health FSA program. That doesn't disqualify me from funding my HSA, does it? It does. Health FSAs follow the same federal eligibility rules as medical plans. Under federal tax law, the employee (subscriber), spouse, and children to 26 (whether or not they remain the parent's tax dependent) are enrolled in the Health FSA automatically and can reimburse their eligible expenses from the plan. You're covered under your spouse's Health FSA and thus can't become HSA-eligible before the end of their Health FSA plan year. You can still enroll in your employer's HSA-qualified medical plan, and you and your spouse can reimburse any qualified expenses, including your medical plan cost-sharing, from their Health FSA.

What if my spouse submits claims for eligible dental and vision services? What if I pledge not to reimburse any of my expenses from their Health FSA? If the Health FSA plan documents allow you to reimburse medical services and prescription drugs, the Health FSA disqualifies you, your spouse, and your children under 26 from opening and funding to an HSA.

I want to enroll in my employer's HSA program now, at open enrollment. My spouse's Health FSA renews at the beginning of next year. What can we do? Unfortunately, your spouse can't disenroll from their Health FSA. Below are your options.

1. Your spouse can leave their job and disenroll from their Health FSA. You then become HSA-eligible immediately if you meet all eligibility requirements.
2. You can enroll in the HSA-qualified plan, reimburse eligible expenses from your spouse's Health FSA and then make sure that they don't re-enroll in their Health FSA. At the end of their Health FSA plan year, you can begin funding your HSA and start to reimburse tax-free all eligible expenses that you, your spouse, and your children to 26 incur after the date that you establish your HSA.
3. You can delay enrollment in the HSA program for a year and make sure your spouse doesn't re-enroll in their Health FSA. You won't have a tax-advantaged reimbursement account (Health FSA or HSA) for the period between the end of their Health FSA plan year and your enrollment in your company's HSA program.

Are there any Health FSA plan designs that allow me to fund an HSA? Yes. An employer can offer a Limited-Purpose Health FSA (LP Health FSA). SHA does not offer LP Health FSA plans.

My (or my spouse's) Health FSA allows a carryover into the following plan year. How does that feature impact my HSA eligibility? Beware. This feature can lock you out of opening and funding an HSA for a full 12 months! You can avoid the HSA eligibility issue by spending your entire balance and submitting all claims before the end of the plan year. If you carry a balance at the end of the Health FSA plan year, you can forfeit the remaining balance. You must spend the entire election before the end of the plan year to become HSA-eligible.

Does my election to a Dependent Care FSA affect my HSA eligibility? No. Since Dependent Care FSAs don't reimburse medical expenses, they don't affect your eligibility to open and fund an HSA.

Does my Medicare enrollment affect my HSA eligibility: Yes. You must be eligible for a high-deductible health plan, and you can't have any other health plan. Because Medicare is considered another health plan, you're no longer eligible to contribute money to your HSA once you enroll.

How does an HSA work once you enroll in Medicare? Once you're enrolled in Medicare, you can no longer contribute pretax money to your HSA. You can keep contributing to your HSA by not enrolling in Medicare right away.

For specific IRS details on HSA and FSA, Publication 969 (2022), Health Savings Accounts and Other Tax-Favored Health Plans | Internal Revenue Service (irs.gov)

For additional questions, contact Wellspring, Employee Assistance Program, for free financial and legal resources. Employee Assistance Program | Seattle Housing Authority.

If you are enrolled in SHA Group Life Insurance, there are additional resources available through Securian, Legal_Financial_Grief.pdf (seattle.gov)