Rollovers & HSAs

Here is some additional guidance on HSA eligibility when rollovers are part of your BESTflex Plan.

If a participant’s Health Care Flexible Spending Account (FSA) is renewed using only rollover dollars, is the participant eligible to contribute to a Health Savings Account (HSA)?

No, not immediately and perhaps not for the entire new plan year. At the end of the plan year, any remaining balance up to $500 is a possible rollover that could be used to reimburse new year expenses. Therefore, during the old plan year’s runout period, the participant cannot contribute to an HSA because the rollover dollars could be used for new year expenses.

However, once the runout period is over and it is determined that all of the potential rollover dollars were used to reimburse old plan year expenses and there is no rollover for the new plan year, then the FSA is closed as of the last day of the runout period and the participant becomes eligible to make HSA contributions the first day of the month after the runout period. But, if there is rollover to the new plan year, then the participant remains ineligible to make HSA contributions for the entire plan year, even if the rollover dollars are used up mid-plan year.

If a participant’s Health Care FSA is renewed using only rollover dollars, is the participant eligible to contribute to an HSA for any month after all the rollover dollars in the account are used up?

No. A participant enrolled in a Health Care FSA is ineligible to contribute to an HSA for any month after all the rollover dollars in the account are used up.

Could a participant choose to have Health Care FSA rollover dollars placed into an HSA-eligible FSA (a Limited Health Care FSA that covers vision and/or dental only, a post-deductible Health Care FSA or a combination of both) in order to be eligible to contribute to an HSA?

Yes. If the participant elects an HSA-eligible FSA, then any rollover dollars will roll over into the HSA-eligible FSA and the participant can make HSA contributions. However, rollover amounts may not be used to fund a non-health care related FSA or other type of BESTflex Plan benefit (a Dependent Care FSA, for example).

May a participant enrolled in a Health Care FSA who decides to roll over unused funds for the following year into a Limited Health Care FSA also contribute to an HSA that following year?

Yes, as long as the participant meets all of the federal HSA eligibility requirements.
If an employer offers both a Health Care FSA and an HSA-eligible FSA, can the employer automatically roll over unused amounts from the Health Care FSA into an HSA-eligible FSA for the following year for a participant who enrolls in the HDHP the following year?

Yes, the IRS guidance allows for this option by an employer although we do not yet make this option available.

If an employer allows participants to decide whether or not to add rollover to their BESTflex Plan, can a participant that chooses to decline to add rollover to their plan contribute to an HSA?

Yes, the IRS guidance allows for the employer to adopt this option although we do not currently support this option. Once the employer adopts this option when available, the participant could waive their access to rollover and make HSA contributions as long as the participant meets all of the federal HSA eligibility requirements.

If a participant wants to roll over unused dollars from a Health Care FSA to an HSA-eligible FSA, how do the uniform coverage rules apply to reimbursements during runout period of the Health Care FSA?

During the Health Care FSA runout period, the remaining balance can be used to reimburse any eligible Health Care FSA expenses incurred prior to the end of the plan year. Claims made against the HSA-eligible FSA are paid up to the new election amount for claims eligible under that FSA’s design (e.g., dental or vision expenses only for a limited Health FSA).

As an example:

An employer offers both a Health Care FSA and an HSA-eligible FSA with a rollover maximum of $500.

With $600 remaining in her Health Care FSA on December 31, Year 1, a participant decides to place $2,500 in the HSA-eligible FSA and signs up for the HDHP for Year 2.

In January of Year 2, the participant is eligible to contribute to an HSA.

In January of Year 2, the participant submits a claim to the HSA-eligible FSA for $2,700 in dental care. The plan reimburses her $2,500, the amount of her total election.

In February of Year 2, the participant submits and is reimbursed $300 from the Health Care FSA for expenses incurred prior to December 31, Year 1.

At the end of the Health Care FSA runout period, the remaining $300 is rolled over to the HSA-eligible FSA.

The participant is then reimbursed $200, the remaining amount of her January, Year 2 claim. There is $100 remaining in the HSA-eligible FSA.

Learn more about rollovers

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