

What's the difference between an HSA and a TexFlex health care FSA?

Below are the differences between a health savings account (HSA) and the TexFlex health care flexible spending account (FSA).

	HSA	TEXFLEX HEALTH CARE FSA
What is it?	It's a personal bank account to help you save and pay for covered health care services and qualified medical expenses.	It's an account to help you pay for covered health care services and eligible medical expenses.
How do I get it?	You must sign up for Consumer Directed HealthSelect which has a high-deductible health plan. You also have to meet other IRS guidelines to be eligible to have it. Contact Optum Bank [®] toll-free at (800) 791-9361 for more details.	You can sign up for a health care FSA if it is offered by your employer. You do not need to sign up for a health plan.
Who owns it?	You do.	The State of Texas, but you have access to the money.
Who puts the money in it?	You. The State of Texas, your family and others also can put money into it.	You contribute to the account.
How is money put in it?	You can make deposits like you do with other personal bank accounts or elect an amount to be deducted monthly from your paycheck pre-tax and deposited to your account. The state will contribute monthly to employees' and retirees' HSAs on a pre-tax basis. Note: If you're retired, you cannot deposit money from your annuity to your HSA.	You pledge an annual amount, and your employer will take money out of your paycheck each month before taxes and put it into the account.
Is there a limit on how much I can put in it?	Yes. The annual maximum contribution for the 2017 tax year (set by the IRS) is \$3,350 for an individual account and \$6,750 for a family account. The annual maximum contribution includes contributions made by you, the state and others to your HSA. While there are annual contribution limits, there is no limit to how much you can save over time.	Yes. The annual minimum is \$180 and the annual maximum is \$2,550. The IRS sets a limit on how much you can put into it each year.
If I don't spend it all this year, can I use it next year?	Yes. Since you own the account, the money will stay in it until you choose to spend it. You can save and use it into retirement.	Yes. You can carry over \$25 – \$500 from one plan year to the next (any amount over \$500 is forfeited). The \$500 limit is set by the IRS.
Can I cash it out at any point?	Yes. But if you cash it out and do not use the money for qualified medical expenses, you will have to pay taxes on it. And you may also have to pay a 20% tax penalty for paying for unqualified expenses.	No.
Can I keep it if I leave my employer? What happens to the money?	Yes. You own the account. You can continue to use the money you've contributed for qualified medical expenses even after leaving employment.	No. You may, however, be able to continue participation if eligible for COBRA. You forfeit any funds that you do not use.
When can I start spending it?	You can start spending money in your HSA once you have signed up for a high-deductible health plan, have opened the account and have funds available.	Your entire pledge amount is available for use on the first day your health care FSA is effective.

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Do I have to pay taxes on it?	No. You don't have to pay federal or, in most instances, state income taxes on: <ul style="list-style-type: none"> • Deposits you or others make to an HSA • Money you spend from an HSA on qualified medical expenses • Interest earned from an HSA If you put money into an HSA using pre-tax payroll deposits through your employer, you don't have to pay Social Security taxes on it either.	No. You don't have to pay federal, state and Social Security taxes on this money. You also don't have to pay federal income taxes on any money that is reimbursed to you.
If I don't spend it, will it earn interest for me?	Yes, an HSA can earn interest depending on how much you have in the account.	No.
What can I pay for with it?	You can pay for many qualified medical expenses, including services covered by your health plan, dental, vision and many other health care services and supplies that are listed under Section 213(d) of the Internal Revenue Code.	You can pay for hundreds of eligible medical expenses, including dental, vision and many other health care services and supplies that are listed under Section 213(d) of the Internal Revenue Code.
Can I use it for things other than health care?	No, as long as you are under the age of 65. And if you use it for services that aren't qualified medical expenses, you could pay a 20% penalty tax. After you turn 65 or become eligible for Medicare, you may withdraw money from your HSA for expenses that aren't qualified medical expenses, which are subject to standard income taxes, without penalty.	No.
Can I have any other accounts with it?	Yes. You can enroll in the TexFlex limited flexible spending account (LFSA), which can only be used for eligible dental and vision services (you can no longer participate in a TexFlex health care FSA). You can also have a TexFlex dependent care FSA.	Yes. You can have a dependent care FSA to pay for eligible day care and elder care services.
If I receive COBRA benefits, do COBRA rights apply to it?	COBRA does not apply to the account. But COBRA rights apply to the Consumer Directed HealthSelect high-deductible health plan. Visit www.ers.texas.gov/Former_Employees/COBRA/ for more information.	Yes, COBRA rights apply. Visit www.ers.texas.gov/Former/Health/TexFlex_Health_Care/ for details.
Can I use it to pay for COBRA plan premiums or other plan premiums?	Yes.	No.

What's the difference between a qualified medical expense and an eligible medical expense?

A **qualified medical expense** is a health care service, treatment or item that the IRS says can be purchased without having to pay taxes.

An **eligible medical expense** is a health care service, treatment or item that the IRS says can be covered or reimbursed (paid back) by a benefit plan.



Health savings accounts (HSAs) are individual accounts offered by Optum Bank®, Member FDIC, and are subject to eligibility and restrictions, including but not limited to restrictions on distributions for qualified medical expenses set forth in section 213(d) of the Internal Revenue Code. State taxes may apply. This communication is not intended as legal, investment or tax advice. Please contact a competent legal, investment or tax professional for personal advice on eligibility, tax treatment and restrictions. Federal and state laws and regulations are subject to change.

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Mail: Section 1557 Coordinator, Employees Retirement System of Texas, P.O. Box 13207, Austin, Texas 78711

Fax: 512-867-3480

Email: 1557coordinator@ers.state.tx.us

For more information, visit: <http://www.ers.texas.gov>

You can also file a civil rights complaint with the U.S. Department of Health and Human Services online, by mail or by phone at:

Online: <https://ocrportal.hhs.gov/ocr/portal/lobby.jsf>

Complaint forms are available at: <http://www.hhs.gov/ocr/office/file/index.html>

Mail: U.S. Department of Health and Human Services, 200 Independence Avenue, SW, Room 509F, HHH Building, Washington, D.C. 20201

Phone: 1-800-368-1019, 800-537-7697 (TDD)

ERS provides language assistance at no cost to you. For help, please call the ERS main number.

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L'ERS vous offre une aide linguistique gratuite. Pour obtenir de l'aide, veuillez composer le numéro principal de l'ERS.

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ERS proporciona asistencia de idioma sin costo para usted. Para obtener ayuda, llame al número principal de ERS.

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