

Understanding FSAs and HSAs

Here is some more Open Enrollment information for you. Since Health Savings Accounts are new to us, this handout provides explanations and clarifications. These plans are governed by IRS standards and regulations.

Overview

FSAs and HSAs are pre-tax accounts that help you pay for eligible health costs. A Flexible Spending Account (FSA) is an employer-sponsored account you fund through payroll for out-of-pocket expenses.

An HSA pairs with an HSA-qualified HDHP; balances can be invested, roll over every year, and the account is yours to keep. In our plan, HSA funding includes an employer base and an employer-employee match that are front-loaded on January 1, with any additional employee HSA contributions made on a per-pay-period basis.

Together, these accounts lower taxable income and offer flexible ways to budget for healthcare.

Please note: If you're enrolled in any part of Medicare, you are not eligible to make or receive HSA contributions.¹

What These Accounts Are

Health FSA (Flexible Spending Account)

- What it is: Employer-sponsored account funded with pre-tax payroll dollars for eligible medical, prescription, dental, and vision expenses.
- How funds are available: Your full annual election is available on day one of the plan year; you repay it via equal payroll deductions. FSAs are funded with employee contributions.
- Timeframe: FSAs follow plan-year rules and are subject to use-it-or-lose-it, except for any carryover our plan allows.
- Who it's for: Employees enrolled in our Traditional PPO (general-purpose Health FSA).
- Usage: Keep receipts and submit eligible expenses during the plan deadlines.

¹ If you're enrolled in any part of Medicare (Parts A, B, or D), you are not eligible to make or receive HSA contributions. Please consult a Medicare expert and HR before changing coverage. If you have Medicare questions, it is best for you to contact the local Social Security office: 2861 Ashmun St., Suite #1, Sault Sainte Marie, MI 49783 - (855) 285-6007.

Medical FSA Contribution Limits (2026)

For plan years beginning in 2026, the IRS annual contribution limit for medical FSAs is \$3,400. This limit is per employee (not per household). Enrollment status (single, two-person, or family) does not change it.

Dependent Care FSA (DCFSA)

- What it is: A separate pre-tax account for eligible child and elder care expenses that allows you (and your spouse, if applicable) to work.
- How funds are available: Money is available as it is contributed during the year.
- Who it's for: Any eligible employee with qualifying dependent care costs (independent of medical plan choice).

Dependent Care FSA Contribution Limits (2026)

For plan years starting in 2026, the DCFSA contribution limit is \$7,500 per household (or \$3,750 if married filing separately).

HSA (Health Savings Account)

- What it is: A personal account paired with an HSA-qualified HDHP.
- Tax advantages: Contributions are pre-tax (or tax-deductible), earnings can grow tax-free, and withdrawals for qualified expenses are tax-free.
- Timeframe & ownership: Unused balances roll over year to year; the HSA is yours and stays with you across jobs and into retirement.
- Spending access: You can spend what's been contributed so far (your deposits plus any employer funding).
- Who it's for: Employees enrolled in our HSA-qualified HDHPs.
- Usage: HSA funds may be used for qualified medical expenses, invested, and roll over from year to year.

HSA Contribution Limits (2026)

For plan years beginning in 2026, the IRS annual HSA limits are \$4,400 for self-only coverage and \$8,750 for family coverage. These limits are the aggregate of employee plus employer contributions. Individuals age 55+ may add a \$1,000 catch-up (each spouse needs their own HSA to make their own catch-up). Coverage tier (not tax filing status) determines the limit; married couples with family HDHP coverage share the \$8,750 total across their HSAs.

How These Accounts Pair With Our Medical Plans

If you enroll in the Traditional PPO

- You may elect a Health FSA for eligible medical, dental, and vision expenses.
- You may also elect a Dependent Care FSA.

If you enroll in one of the HSA-qualified HDHPs

- You will have an HSA (with employer funding) and an additional employer match if you contribute up to specified amounts.
- You may also elect a Dependent Care FSA.

How The HSA Will Be Funded For The 2026 Plan Year (HDHP Enrollees)

- Employer Base Contribution (front-loaded 1/1/26): We will deposit the plan's base HSA contribution to your HSA on January 1, 2026.
- Employer Match (front-loaded 1/1/26): We will match your Open Enrollment elected HSA "match" amount up to the specified amount and deposit that employer match on January 1, 2026.
- Employee "Match" Amount (front-loaded and repaid): Your Open Enrollment elected employee "match" amount will be credited to your HSA on January 1, 2026, and then repaid through equal payroll deductions during the year.
- Additional Employee Contributions (per-pay): Any HSA contributions you elect above the match amount will be deducted each pay period and deposited as we withhold them.

Annual IRS limits: Your total HSA contributions (employer base + employer match + your match amount + your additional contributions) must remain within the IRS annual limit for your coverage tier.

HSA Payroll Deductions You Might See (HDHP Enrollees):

- A per-pay deduction to repay your front-loaded employee match amount.
- A per-pay deduction for any additional HSA employee contributions you elected.

Closing: What to do Next

Review your options, choose your medical plan. Complete your election form and submit it to HR.