

Understanding FSAs and HSAs

2027 OPEN ENROLLMENT | EMPLOYEE BENEFITS GUIDE

Flexible Spending Accounts (FSAs) and Health Savings Accounts (HSAs) can help you pay eligible expenses with tax advantages. These accounts have different eligibility, funding, spending, and rollover rules.

2027 contribution limits

Account	2027 maximum
Health FSA (medical / general purpose)	\$3,400 (pending IRS confirmation)
Dependent Care FSA	\$7,500 per household; \$3,750 if married filing separately
HSA - self-only HDHP coverage	\$4,500 total employee + employer
HSA - family HDHP coverage	\$9,000 total employee + employer
HSA catch-up for age 55 or older	Additional \$1,000 per eligible account holder

Health FSA (Flexible Spending Account)

- Purpose: Pays eligible medical, prescription, dental, and vision expenses using pre-tax employee payroll contributions.
- Availability: Your entire annual election is generally available at the beginning of the plan year, while payroll deductions occur during the year.
- Timing: Use-it-or-lose-it rules apply, subject to the plan's carryover provisions.
- Medical-plan pairing: The general-purpose Health FSA pairs with the Traditional PPO.
- Claims: Keep receipts and follow the plan's deadlines for submitting eligible expenses.

Dependent Care FSA

- Purpose: Helps pay qualifying child or adult dependent care costs that enable you (and your spouse, if applicable) to work.
- Availability: Reimbursement is limited to amounts actually deposited into the account.
- Medical-plan pairing: Available to eligible employees regardless of medical plan selection.
- Annual rules: Eligibility, earned income, and household limits may reduce the amount you can elect.

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2027 OPEN ENROLLMENT | HEALTH SAVINGS ACCOUNT

HSA (Health Savings Account)

- Purpose: A personal account for qualified medical expenses, available to people who satisfy HSA eligibility rules, generally including qualifying HDHP coverage.
- Tax advantages: Eligible contributions receive favorable tax treatment; qualified withdrawals are tax-free, and investment earnings can grow tax-free.
- Ownership: Your balance carries over from year to year and remains yours if you change jobs or retire.
- Availability: Only money already deposited in your HSA can be spent.
- Contribution limits: The 2027 annual maximum is \$4,500 for self-only coverage and \$9,000 for family coverage, including employer deposits. People 55 or older may qualify for another \$1,000.

Medicare and HSAs: Once you are enrolled in Medicare, you are generally no longer eligible to receive HSA contributions for the months covered. Medicare enrollment can be retroactive. Consult a qualified Medicare adviser before making coverage changes. Questions about Social Security or Medicare enrollment: Social Security office, 2861 Ashmun St., Suite 1, Sault Ste. Marie, MI 49783; (855) 285-6007.

How these accounts pair with medical coverage

If you enroll in...	Account options for 2027
Traditional PPO	General-purpose Health FSA and, if eligible, Dependent Care FSA.
HSA-qualified HDHP	HSA with employer funding and matching provisions; Dependent Care FSA if eligible.

2027 HSA contribution reminders

- Your annual HSA limit includes the employer base contribution, employer match, employee match amount, and any additional employee contributions.
- Spouses with family HDHP coverage generally share the family contribution limit; each eligible spouse age 55 or older must use their own HSA for the catch-up amount.
- A general-purpose Health FSA generally makes you ineligible to contribute to an HSA.

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2027 OPEN ENROLLMENT | FUNDING AND NEXT STEPS

How the HSA will be funded for the 2027 plan year

Employees enrolled in an HSA-qualified HDHP will receive employer base funding and may qualify for an employer match based on their Open Enrollment HSA election.

Employer base contribution

- The employer base contribution will be deposited on January 1, 2027.

Employer matching contribution

- The employer will match the eligible HSA amount elected during Open Enrollment, up to the specified match maximum, and deposit its match on January 1, 2027.

Employee matching amount

- Your elected employee matching amount will be credited on January 1, 2027, and repaid through equal payroll deductions during the year.

Additional employee contributions

- Contributions above the matching amount will be deducted each pay period and deposited as withheld.

HSA payroll deductions in 2027

You may see a deduction to repay your front-loaded employee matching amount and a separate deduction for any additional HSA contributions you elected.

What to do during Open Enrollment

- Review the 2027 medical plan options and determine which accounts are available with your selected coverage.
- Estimate eligible medical and dependent care expenses before choosing FSA elections.
- Include employer funding and matching contributions when calculating an HSA election.
- Complete the applicable 2027 election forms and submit them to HR by the enrollment deadline.

References: IRS Revenue Procedure 2026-24 (2027 HSA limits); Internal Revenue Code § 129 (dependent care benefits); IRS Publication 969 (account rules).

This guide provides general information. Official plan documents and IRS rules govern.