

Standard Health FSA to HSA

What You Need to Know About Your Grace Period



If you have a standard health flexible spending account (FSA) and are looking to enroll in a health savings account (HSA) in the upcoming plan year, it's important to know how your standard health FSA's grace period may impact your HSA-eligibility. For additional details about your grace period, refer to the plan documents in your online account.

Grace Period

As a reminder, your grace period is an additional period of time following the end of your plan year where you can incur claims for your standard health FSA. Your grace period automatically goes into effect if there are any unused funds in your standard health FSA at the end of the plan year.

Example: Your standard health FSA election for the current plan year is \$2,500 and throughout the year you use \$2,000 to pay for eligible health expenses. At the end of your plan year, you have \$500 remaining in your account so your grace period will automatically go into effect. This means that you now have an additional 2 months and 15 days following the end of your plan year to incur claims and use the remaining funds in your standard health FSA.

\$2,500 Election	
\$2,000 Used	\$500 Used
Current Plan Year	Grace Period

How grace period impacts HSA-eligibility

Due to IRS regulations, a standard health FSA is considered disqualifying coverage for an HSA. Because of this, you cannot be enrolled in both a standard health FSA and contribute to an HSA at the same time. If you have a standard health FSA with a grace period, the grace period can delay or prevent you from being HSA-eligible in the upcoming plan year because the grace period extends the amount of time that you can use your standard health FSA.

If you are interested in a seamless transition from a plan year with a standard health FSA to a new plan year with an HSA, you can avoid triggering your standard health FSA grace period by having a \$0 balance* in your standard health FSA on the last day of the prior plan year.

However, if your standard health FSA grace period does go into effect, you will not be able to contribute to an HSA until the first of the month following the end of the grace period. Below is an example timeline to show when you would be eligible to contribute to an HSA with a standard health FSA grace period.

Example: You have a standard health FSA with a plan year that runs from January 1 to December 31. Your standard health FSA has a grace period that runs for 2 months and 15 days. Because of this grace period, you can still incur claims with your standard health FSA until March 15 (this is 2 months and 15 days after the end of your plan year). With your grace period in effect, you will not be HSA-eligible until April 1, which is the first of the month following the end of your grace period.



*Claims that are in house waiting to be processed, claims in the system pending payment, and Benefits Card transactions that are pending merchant approval are not taken into consideration. The account balance must be \$0 and not waiting to be paid to bring it down to \$0.