

# Medical flexible spending account (FSA) administered through Kaiser Permanente

Funds from a medical FSA can be used to pay for any qualified expenses as defined in IRS Publication 502, Medical and Dental Expenses.

## FSA effective date

We recommend that employers align their FSA effective date with the effective date or renewal date of the associated Kaiser Permanente health plan. Changes to the FSA can only be made at renewal and, in order to allow corresponding changes to both the health plan and the FSA, it's best to keep these dates aligned. If an employer requests a midyear start for their FSA administered through Kaiser Permanente, we recommend creating a short initial contract period to align the FSA renewal date with the associated health plan renewal date.

## FSA fees, banking, and funding

### Monthly administrative fee

The monthly administrative fee is \$3.75 per account per month. This fee is paid by the employer for all FSAs for any account holder (i.e., active employees, COBRA members, or retirees). See **Banking arrangements** for details on how monthly administrative fees are charged.

### Setup fees

**Standard setup:** No fee

**Nonstandard/custom setup:** Setup fees for a custom or nonstandard FSA setup will be determined based on the customer's specific request. Any request for an option or capability not presented in this document will be considered a custom or nonstandard request.

### Banking arrangements

Kaiser Permanente Health Payment Services manages both FSA claims funding and monthly administrative fees via Automated Clearing House (ACH) transactions. During the setup process, the employer will complete and sign an ACH form to indicate which bank account they would like to have the ACH transactions debited from.

For FSA claims, which include any health payment card transactions or manually filed claims, our system will batch the total claims daily. Employers will be notified of the total amount to be debited via ACH, usually 24 hours before the debit is initiated.

FSA monthly administrative fees are charged during the month of the FSA administrative services and are debited on the first business day on or after the 27th of each month. Employers will receive an "Employer Fee Funding Notification" email, usually 24 hours before the ACH transaction. Through the Employer Administration Portal, they'll also have access to multiple reports that can be used to reconcile all ACH transactions each month.

### FSA funding and employer options

All accounts will be funded through a daily ACH pull as claims are incurred, including health payment card transactions. Monthly administrative fees will be pulled through an ACH transaction each month. Accounts are notional, and funds will be pulled from the employer's account only as claims or monthly administrative fees are incurred.

Contributions made through payroll withholding will follow the employer's payroll schedule. However, account holders will have access to 100% of their medical FSA annual contribution on their effective date.

### Contribution limit

The IRS sets maximum contribution limits each year for medical FSAs. The employer can set a lower maximum, as well as a minimum contribution limit. Please see Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans, for the current IRS maximum contribution limits.

### Rollover/grace period

The employer can select one of these options, or choose to offer neither:

- **Rollover:** Rollover allows up to \$500 of unused FSA funds to carry over to the following FSA coverage period.
- **Grace period:** A grace period gives FSA holders extra time to use any money left in their account at the end of the FSA coverage period. With this option, they can continue using unused funds to pay for eligible expenses during the first 2 months plus the first 15 days of the third month after the end of the coverage period.

### Run-out period

The run-out period gives employees an extra 90 days after the end of the FSA coverage period to submit reimbursement claims for qualified expenses incurred during the coverage period. After the run-out period, no claims for that FSA coverage period can be submitted. The run-out period starts at the end of the FSA coverage period or when an employee is terminated from the FSA.

## FSA election and contribution file submission

### FSA elections through payroll

FSA elections made through payroll are submitted via an enrollment file provided to Kaiser Permanente Health Payment Services. The enrollment file indicates the applicable employees and election amounts for the FSA coverage period.

#### Enrollment file provider:

- Employer group
- Third-party administrator (TPA)

**Enrollment file type:** The enrollment file is sent in one of these formats, which will be determined during the setup process:

- **CSV file format:** This file is uploaded to the Employer Administration Portal.
- **SFTP:** Available to employer groups with 200 or more employees. This file is uploaded to a Secure File Transfer Protocol (SFTP) site provided to the employer during the setup process.

## Wellness contributions

Employer FSA contributions made as a result of an employee completing wellness activities are submitted through a contribution file provided to Kaiser Permanente Health Payment Services. The contribution file indicates the applicable contribution amounts for any specific period.

**Contribution file provider:** The wellness contribution file can be sent by any of the following parties:

- Employer group
- Kaiser Permanente Workforce Health
- Wellness administrator
- Third-party administrator (TPA)

**Contribution file type:** The wellness contribution file can be sent in one of these formats, which will be determined during the setup process:

- **CSV file format:** This file is uploaded to the Employer Administration Portal.
- **SFTP:** Available to employer groups with 200 or more employees. This file is uploaded to a Secure File Transfer Protocol (SFTP) site provided to the employer during the setup process.

## Employer reporting

There are several reports available to all Kaiser Permanente employer groups via the Employer Administration Portal. Access to these reports will be discussed during the setup process.

### Payment History Report

The Payment History Report summarizes the amount issued in checks, direct deposits, and health payment card transactions (if applicable) for the previous month. The report is available on the Employer Administration Portal on the second calendar day of the month.

### Account Balance Detail Report

The Account Balance Detail Report encompasses each account holder's election, claims paid, deposits, and available balance. This report is a snapshot (at the time the report is generated) of account holder health payment accounts for each specific coverage period.

### Reconciliation by Batched EFTs Report

The Reconciliation by Batched EFTs Report provides information to reconcile bank statements and is generated on a weekly basis.

### Enrollment Report

The Enrollment Report includes data on the account holders' annual elections, employer contributions (if applicable), and payroll deduction amounts.

### Account Statement by Participant Report

The Account Statement by Participant Report includes account statements for all of an employer's participating employees for a chosen coverage period and specified date range.

### Repayment Report

The Repayment Report shows all repayments that were created, scheduled, received, applied, and canceled for a specific time period.

If additional reports or reporting data are needed, employers can contact Kaiser Permanente Health Payment Services to submit a request.

## The setup process

**Time frame:** Once an employer chooses the FSA administered through Kaiser Permanente, we can begin the setup process. During setup, the employer will receive all required forms and agreements that need to be signed. They'll also be guided on where and how to send eligibility and contribution files for the FSA. If the employer completes all the setup steps in a timely manner as specified in the setup process timeline, account holders can expect to receive welcome letters and health payment cards about 20 business days after Kaiser Permanente gets the required forms and agreements. Employers with a January 1 effective date can expect a time frame of 45 business days.

### Required forms:

- Design Guide
- Administrative Services Agreement for Employment-Related Financial Account Programs
- Administration and Recordkeeping Services for Flexible Spending Accounts (FSAs)
- Administrative Fees for Flexible Spending Accounts (FSAs)
- Business Associate Agreement
- ACH form

## Stacked accounts

There are multiple options for stacking an FSA with a health reimbursement arrangement (HRA). Account access and administrative fees would remain the same for most stacked FSA/HRA offerings. However, member experience would vary based on the account types chosen by the employer.

## Account holder fund access

Account holders will have access to 100% of their medical FSA annual contribution on their effective date.

**Health payment card:** All account holders will get a Kaiser Permanente health payment card. This debit card is the most convenient way for employees to use their FSA funds to pay qualified expenses when getting care or when they get a bill. Health payment card functionality is programmed by merchant category code (MCC) and utilizes an inventory information approval system (IIAS), copay matching, and recurring payment logic for the automatic substantiation of qualified expenses.

If an account holder pays out of pocket for qualified expenses, they have the option of requesting reimbursement from their FSA using the electronic or paper reimbursement option:

**Electronic reimbursement:** The KP Balance Tracker mobile app and Health Payment Online Portal can be used to file a claim for reimbursement for qualified expenses. The Health Payment Online Portal is available through single sign-on access at [kp.org](https://kp.org).

**Paper reimbursement:** Account holders can file a claim for reimbursement by mail or fax using a Reimbursement Request Form. This form can be downloaded from the Health Payment Online Portal or requested by calling Kaiser Permanente Health Payment Services.

For most vision and dental claims, account holders will need to provide supporting documentation: an Explanation of Benefits (EOB), bill, or an itemized receipt.

## Account holder account management

Account holders have many support resources available to them, including the Health Payment Online Portal, where they can manage their FSA online, and the KP Balance Tracker app, which allows them to manage their FSA from their mobile device.

They also have 24/7 access to a bilingual IVR phone line where they can check their account balance, and the support of a dedicated team of specialists at Kaiser Permanente Health Payment Services. Kaiser Permanente also offers a variety of educational and support tools to help employees understand and use both their health plan and their FSA. Employers can speak with their Kaiser Permanente representative to discuss a communication plan.

## Employees whose Kaiser Permanente health plan coverage terminates

Employees whose Kaiser Permanente health plan coverage associated with the FSA terminates will lose single sign-on access to their FSA account through [kp.org](https://kp.org) and [kp.org/healthpayment](https://kp.org/healthpayment) within 90 days after termination. The monthly administrative fee will continue to be billed for employees no longer enrolled in the Kaiser Permanente health plan throughout the run-out period (see **Run-out period**). And approved FSA claims filed before the end of the run-out period will continue to be funded from the employer's account.

### COBRA

If the employer chooses to extend FSA eligibility to COBRA participants, single sign-on access will remain available. In that case, the employer will continue to be billed the monthly administrative fee for as long as the terminated employee participates in COBRA.