



OFFICE OF THE DIRECTOR

UNITED STATES
OFFICE OF PERSONNEL MANAGEMENT
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MEMORANDUM FOR CHIEF HUMAN CAPITAL OFFICERS

FROM: Linda M. Springer
Director

Subject: Limited Flexible Spending Account (FSA) Option for 2006

We are offering a new option under the FSAFEDS Program -- a limited expense health care flexible spending account (FSA) for Federal employees enrolled in high deductible health plans with health savings accounts. Under the rules established by the Internal Revenue Service (IRS), general health care FSAs are not available to health savings account (HSA) participants. However, the IRS permits individuals to hold an HSA and a limited health care flexible spending account for eligible dental and vision expenses.

Beginning with the 2006 Benefit Period, OPM will offer a Limited Expense Health Care Flexible Spending Account (LEX HCFSA) for employees in Federal Employees Health Benefits (FEHB) Program high deductible health plans (HDHP) with a funded HSA. The FSAFEDS third party administrator (SHPS, Inc.) will administer the LEX HCFSA.

FEHB carriers will be responsible for notifying HSA enrollees that they are eligible to enroll in a LEX HCFSA. Enrollees will have 30 days after being notified by their FEHB plan to establish their LEX HCFSA by calling a special FSAFEDS phone number. This means they will not enroll during the regular FSA open season held concurrently with the FEHB open season in November/December. The effective date of their enrollment will not be January 1, but rather will be prospective, depending on when they call to enroll. But, they will still be able to fully fund their LEX HCFSA up to the \$5,000 maximum. We believe this approach meets the needs of eligible HSA enrollees without creating a potential for erroneous enrollments during the general FSAFEDS open season.

We are pleased to be able to offer this limited FSA option because it means HSA enrollees will now be able to set aside pre-tax FSA dollars for dental and vision services in 2006, the same as non-HSA enrollees. OPM's FSAFEDS web site at www.fsafeds.com will include information on the limited FSA in the near future.

cc: Human Resources Directors