



## USING A FLEXIBLE SPENDING ACCOUNT TO FUND EMPLOYEE WELLNESS

Wellness initiatives cost money, which is often the only reason employers fail to implement effective wellness programming. But to off-set some of the expense, many employers may be able to leverage the benefits they already provide to employees.

Flexible Spending Accounts (FSA) are included with many employer-sponsored health insurance programs. FSAs allow employees to set aside pre-tax dollars for use in managing medical expenses throughout the year. Employees contribute a portion of each paycheck (up to an established maximum) throughout the year, then request reimbursement for out of pocket medical expenses ranging from office co-pays to over-the-counter medications.

Under IRS Code 125, FSA expenses must be for medical care as defined in Code 213(d) which states: "Medical care must be for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body." Based on this definition, employer-sponsored FSA programs can often be used to pay for wellness services offered at your place of business.

Many wellness services would generally fall under the definition provided in IRS Code 125 above, and therefore they would be eligible for reimbursement under a group-sponsored FSA plan. More specifically, an FSA could likely be used to pay for:

- **Health Risk Assessments & Other Screenings** – will qualify if the tests are used for medical diagnoses; check with your HRA / screening provider to determine if a medical diagnosis may be part of the service.
- **Flu Shots** – immunizations to prevent disease will qualify, even though no medical condition has been diagnosed.
- **Exercise Classes** – will qualify only if required to treat an illness (such as obesity) diagnosed by a physician. The purpose of the expense must be to treat the disease rather than to promote general health, and the expense must not have been incurred "but for" this purpose.

For more information about using your employer-sponsored FSA plan to pay for wellness services at your place of business, contact your insurance plan administrator. Be sure to confirm all reimbursable expenses before introducing new employee-paid wellness options.

When asking employees to pay for wellness services is your only financial option, an FSA plan might be a good way to maximize employee buy-in.

