

What is the Difference Between a Limited Purpose FSA and Medical FSA?

LIMITED PURPOSE FSA

A limited purpose FSA may be offered to employees that are enrolled in a Health Savings Account (HSA) in conjunction with a High Deductible Health Plan (HDHP). The Limited Purpose FSA is available to supplement vision and dental expenses. An employee can set aside a portion of earnings, pre-tax, through payroll deduction to pay for qualified vision or dental expenses. Other qualified medical expenses can be reimbursed through the HSA.

MEDICAL FSA

A Medical FSA is a tax-advantaged financial account set up through a cafeteria plan of an employer. This account allows an employee to set aside a portion of earnings to pay for qualified medical expenses. Money is deducted, pre-tax, from an employee's pay and deposited into an FSA. The Medical FSA can be used for various qualified expenses and is not limited to vision and dental.