

## Military OneSource Podcast — Cover Health Care Costs for Special Medical or Educational Needs

### Episode transcript

#### **Bruce Moody:**

Thanks for joining this episode of the Office of Special Needs EFMP podcast series. I'm Bruce Moody. Today we're going to talk about ways to cover health care costs for special medical or educational needs. We'll do that with our two guests. And so we're going to welcome Megumi Murakami, who is executive director for Flexible Spending Accounts at the Department of Defense. Also joining us is Tomeshia Barnes, who is with the Department of Defense and the Office of Special Needs. Welcome to the both of you.

#### **Megumi Murakami:**

Thanks for having me.

#### **Tomeshia Barnes:**

Thank you, Bruce.

#### **Bruce Moody:**

Megumi, let's start with you. Talk to us about your job and what these flexible spending accounts are.

#### **Megumi Murakami:**

Absolutely. So flexible spending accounts are a new benefit for service members. We launched dependent care flexible spending accounts last year, and this year we're super excited to launch health care flexible spending accounts and get into the details with everyone here today. Flexible spending accounts are an optional tax benefit that allows service members to set aside pretax earnings in an account for eligible health care and dependent care expenses. Let me break this down. So service members if they choose to enroll, can set aside a certain amount from their pay each month and put into a special account pretax or tax-free. And so then they can use the funds in that account for eligible health care and dependent care expenses. So if a family or a service member decides to enroll in a flexible spending accounts, they actually lower the family's taxable income by the amount in which you have set aside and put for either health care and dependent care expenses. And so lowering your taxable income based on your family's tax situation could have benefits such as lowering your tax liability or potentially increasing what you get in terms of a tax refund.

**Bruce Moody:**

Okay. Thanks for that, because I definitely need help understanding how that works. But I do understand there's two types. So there's the dependent care flexible spending account, and then the health care flexible spending account. So two different accounts. What's the difference between the two?

**Megumi Murakami:**

Yeah, so the main difference between the two is that the first one that you mentioned, dependent care, that's for eligible dependent care expenses such as child care, preschool, after-school programs, as well as day camps. Whereas the health care flexible spending account is used for co-payments, deductibles, vision care, dental care and a number of other expenses that we can get into in further detail.

**Bruce Moody:**

Yeah, I do want to get more into the health care flexible spending account. Just help us because this is something that can help allow service members to set aside pretax earnings, health care, medical, dental, vision, things like that. So help us get a better understanding of how that works.

**Megumi Murakami:**

So absolutely. So a service member or a family who's interested in using a health care flexible spending account would enroll during a special enrollment period scheduled for March 3 to March 31 of 2025. Because this is the first year we're offering it, we have to offer it through the special enrollment period. But then all other subsequent years service members would enroll during federal benefits open season, which occurs every year between mid-November to a mid-December. In terms of how they work, so a service member and their family has an eligible expense such as a copayment. So if they're on TRICARE Select and they're paying, let's say for their child's co-payments. That co-payment, whatever that is, and they would take that receipt, submit the receipt through FSAFEDS.gov, which is where you enroll, either through the website or through the app. And then once that claim is submitted, they would essentially receive their funds back with the taxes not deducted.

**Bruce Moody:**

Now you're referencing service members but break this down for us, who is eligible for these accounts?

**Megumi Murakami:**

Absolutely. So eligible service members for flexible spending accounts are members of the regular or active component, members of the reserve component of the Army, Marine Corps, Navy and Air Force performing Active Guard and Reserve Duty or AGR duty, and members of the National Guard performing Active Guard and Reserve AGR

duty. In other words, it's members of the active component and then service members who are performing Active Guard and Reserve Duty either on Title 10 or Title 32 orders.

**Bruce Moody:**

Got it. And also let's talk a little bit about the amount of money, the ranges that can go toward expenses.

**Megumi Murakami:**

Yes, absolutely. So participants when they enroll they can decide to contribute between \$100 per year to up to \$3,200 per year. In a household where there are two earners and both earners are eligible for a flexible spending account through their employer, they can contribute a household maximum total of \$6,400 per year. So what that means is if you have a household with two service members who are eligible, the maximum is \$6,400. Or if it's a federal civilian and a service member household, they can both enroll in a flexible spending accounts, contribute the maximum of \$3,200 for a household total of \$6,400.

**Bruce Moody:**

All right, so this is a podcast and there's a lot of information that we're talking about here, so people can go to [FSAFEDS.gov](https://www.FSAFEDS.gov) for more information. We're going to put a link to that website in the program notes. Tomeshia, I'd like to bring you into the conversation. So you lead the department's office of special needs. So from your perspective, why should families who are enrolled in the Exceptional Family Member Program consider using a HCFSa flexible spending account?

**Tomeshia Barnes:**

So that's a really great question, Bruce. Families enrolled in the Exceptional Family Member Program sometimes have to pay out-of-pocket expenses for certain health care to supplement the comprehensive coverage afforded through TRICARE. One of the biggest things I think is important about HCFSa is as families are really navigating and relocating to new duty stations, there's also costs that can incur. And as families are really looking at what's best for their family, the level of treatment, as well as looking at some of the areas that are not necessarily covered through TRICARE, but a family may identify that need which we'll talk a little bit later about to better support their family, that HCFSa is really there to minimize and really address those out-of-pocket costs. Importantly, I think the biggest piece that is so important here is that the HCFSa allows members to save while paying for these costs.

And I really think this is something that's important for all families. But when I think about families with special medical and educational needs that are served within the EFMP, they often have to navigate out-of-pocket expenses to really support their family. And this is one mechanism that can really help families be successful as they access and navigate the care and the support they need.

**Bruce Moody:**

Where does the HCFSa fit in with TRICARE and the Extended Care Health Options also known as ECHO?

**Tomeshia Barnes:**

So Bruce, that's a really good question. In order to answer that question, it's important to talk about how HCFSa fits in with TRICARE and the Extended Care Health Option ECHO, but it's also important to describe the beneficiaries that may qualify for ECHO. There are some parameters with ECHO that's very important that individuals understand because they may or may not meet the threshold to obtain services from ECHO. TRICARE is that first payer for medical services if no other insurance is available. ECHO supplements the TRICARE basic program providing additional coverage for eligible beneficiaries. So when we talk about eligible beneficiaries, it's very important to note that ECHO it's designed for beneficiaries who are diagnosed with a moderate or severe intellectual disability, those with a serious physical disability or an extraordinary physical or psychological condition, those beneficiaries may qualify for ECHO. In addition to use ECHO, the qualified beneficiaries must be enrolled in the Exceptional Family Member Program.

There are situations in which enrollment in the EFMP may be waived, and so it's very important for families to contact their regional contractor or to actually contact EFMP family support providers if indeed they think that a beneficiary may be qualified for ECHO. So we go back to the HCFSa and how it actually fits with TRICARE and ECHO. HCFSa pays for many costs not met by TRICARE and ECHO. It's important to note that FSA is not an insurance, but it is a financial tool that lets families pay for certain expenses with pretax dollars reducing their taxable income. And there's going to be certain key things that when you look at HCFSa for families with special needs, it is a benefit and covers items that may not necessarily be covered by TRICARE or by ECHO.

**Bruce Moody:**

Okay, thanks for that. Megumi, can you provide us some examples of items and services that a family with exceptional needs can use their health care FSA to pay for?

**Megumi Murakami:**

Yeah, absolutely, Bruce. So I think the first really key expense that we see, not only EFMP and special needs families, but also all families who are interested and have an eligible service member sponsor are really the co-payments. So like what everything that Tomeshia just explained, if the service member and their family is enrolled in ECHO and has to make monthly co-payments to be apart and registered in ECHO, all of those co-payments are eligible HCFSa expenses. So you would essentially submit documentation that I pay this co-payment and then you can receive the pretax benefit of using those funds. Another eligible expense is dental care for a service member's family. For example, one thing that Tomeshia and I in trying to develop resources for

these families, Tomeshia informed me that one kind of example to hit home on this is sometimes a family might choose to use an out-of-network dental provider because that provider specializes in care for patients with autism.

And so if the family is deciding to go out of pocket because they think that this type of care is important for their family member, an HCFSa can act as that financial tool to allow them when they go out of pocket to get the pretax or the tax benefit of using these accounts. Some other key eligible expenses are vision, so that includes vision exam co-payments, eyeglasses, laser eye surgery, contact lenses. We know that these costs really add up for families. A family member could break a pair of glasses and a new one is required. And again, all of these would be eligible for an HCFSa. Additional expense is wellness services, so that includes things like massage therapy, chiropractic care and acupuncture, as well as over-the-counter health care items. So everything from bandages on screen and a full list can be found at [FSAFEDS.gov](https://www.fsa.feds.gov).

**Bruce Moody:**

And then, Tomeshia, can you talk about some EFMP-specific examples?

**Tomeshia Barnes:**

Absolutely. So one of the biggest pieces that I think is very important is when we look at the provision of TRICARE and we know that it covers those medical expenses. But when we think about families enrolled in the Exceptional Family Member Program, we also serve families that have an educational disability. And so when you look at the educational disability, one great example is speech therapy. And so when you actually go and you're seeking speech therapy, we know that speech therapy is covered by TRICARE when it's tied to that medical need, but the actual educational component of that is not a TRICARE-covered benefit. And when families are really looking at their educational opportunities, they may or may not obtain services from that public school setting, which is set to provide special education and related services in alignment with the Individuals with Disabilities Education Act. I bring that up because when we look at some of the things that TRICARE doesn't cover speech therapy for, that may be actually tied to what a family identified as an important factor for that educational disability, for the progress and gains that they see with their dependent.

And so that's one of the areas where HCFSa really comes in handy. It supports not just the medical piece, but there is the ability to actually support the educational disability piece under that service as well. And when you think about certain situations as dyslexia and other areas, that really ties in that learning support. And HCFSa is a wonderful tool and resource to help families offset costs when they're really looking to leverage that learning support. And again, we know that families have a wealth of options available to them. And this is one option that opens up the arena and allows families to take control of how they support their family. And so again, I definitely really look at that speech therapy learning support when the actual need is tied to that educational component and not that medical component, HCFSa supports it across the board.

**Bruce Moody:**

Got it. Now Tomeshia, let's talk about a family who is interested in using this benefit and how they might navigate this. Do you think that EFMP families have an understanding of what their out-of-pocket expenses are?

**Tomeshia Barnes:**

As families are seeking to understand what's available to them through TRICARE, through ECHO, really seeking to understand what their out-of-pocket expenses may be, I really encourage families to connect with their EFMP family support providers. That is one resource that I'd recommend to all families that seek to learn more about how an HCFSa could benefit them. As they're sitting with that EFMP family support provider really assessing their annual needs, and really discussing how that HCFSa can really benefit them. And by doing that and assessing their annual needs, starting with their known cost. For example, one of the things that was shared earlier is how all monthly ECHO co-payments are eligible HCFSa expenses. And so really by sitting down with that EFMP family support provider, talking about those known costs. And even sitting down and projecting potential future costs, it'll help them identify how an HCFSa can really benefit them.

And so again, in all things my first stop shop is, hey, go talk to your EFMP family support provider because they really can connect you to the resources and supports that will benefit you. And this is one actual discussion that I think is very important to sit down with the providers and learn more about the HCFSa.

**Bruce Moody:**

Thanks, Tomeshia. Megumi, where can families find a list of HCFSa-eligible expenses?

**Megumi Murakami:**

So as Tomeshia said, highly recommend and agree with her that the first stop is really EFMP family support. And one of the things that you can look at with service providers is an online searchable resource at [FSAFEDS.gov](https://www.fsa-feds.gov). We will link the specific link with this podcast and there what you'll find is a search bar, and you could look up any expense that you might be paying for currently out of pocket and see if that's covered by an HCFSa. One example that I'd like to kind of walk us through to understand how you would identify this expense is let's say you would like to pay for the treatment of dyslexia and your family is not enrolled in ECHO so that you're going to pay most of these costs out of pocket. Dyslexia care is an HCFSa-eligible expense, but it does require something called a letter of medical necessity.

This letter of medical necessity is submitted alongside the receipt for the dyslexia care. And it has a few key pieces of information such as the specific medical condition, a description of the recommended treatment and the length of treatment, as well as the physician's name and the physician's signature. And so if a family is interested in using an HCFSa to pay for out-of-pocket dyslexia care, they would submit the receipt for that

care, this letter of medical necessity signed by the physician who's providing that care either through the FSAFEDS app or the FSAFEDS.gov portal. There's one ineligible expense that I would like to specifically call out in this podcast and that is respite care. So it's a common question that we receive as to whether or not respite care is a covered or eligible expense under an HCFA. It is not an eligible expense. That said, I would like to turn it over to Tomeshia to talk a little bit about respite care resources.

**Tomeshia Barnes:**

Thank you. So when we look at respite care, there is two options for families to receive respite care. TRICARE Echo has a respite care program as well as EFMP. When families are seeking support, one of the first things within EFMP that we encourage families to do, again is go to your EFMP family support provider. They're going to be very knowledgeable about the provision of respite care and how to connect you through the eligibility process. One of the things that I will tell any family that's looking to learn more about respite care, you can go to your EFMP family support provider. However, there's also information on Military OneSource. If you Google Military OneSource EFMP Respite Care, you'll instantly go to a link that'll provide you an article on all the benefits of respite care and how to access respite care. Importantly, within this podcast we're going to provide a link to you here so that you can go directly to the article that will provide you with information about respite care and give you the information on how to access respite care.

The biggest piece that I also want to call out why that resource is so important to review because it gives you information about DOD-eligible respite care. But it also will connect you with state resources that may be a benefit to you as well. And just a friendly reminder about EFMP Respite Care, EFMP Respite Care does not take in account any other respite care services that you receive. So again, you can actually leverage more than one respite care benefit within the EFMP.

**Bruce Moody:**

Tomeshia, how can a family get help in determining how to use this benefit?

**Tomeshia Barnes:**

As we mentioned resources housed on Military OneSource, one great resource is our guide to flexible spending accounts for families enrolled in the Exceptional Family Member Program. I would recommend that families check out this guide for more ideas on how to integrate this tool into their health care expense planning.

**Megumi Murakami:**

We're really excited about the guide. Tomeshia and I partnered between our programs to develop a holistic guide of information for EFMP and special needs families. Also in coordination with the military department EFMP programs, our aim was to provide a one-stop resource that not only goes over what the benefits are and how to use them, but a lot of what we've talked about today. In addition to the resources that Tomeshia



just mentioned, I completely agree that the first step is our EFMP family support providers. However, if you'd like to get more information about once you've made the decision to potentially use this financial benefit, if you'd like to work with folks who can support you in understanding how an HCFSa fits into your larger financial plan for your family, we also really recommend using DOD personal financial counselors or managers which are located on all installations.

You can search and find your local PFM or PFC in the link provided in the podcast. This person can really help you walk through what are the tax implications of using this benefit, and how to build a spending plan to maximize the financial benefits and tools available to you. If you decided to use an HCFSa for your family's health care expenses, once enrolled the best service provider to talk about how to manage your account or any issues with your account is the FSAFEDS program directly. They have benefits counselors and they can help you with anything from my claim is not popping up on my account or I'm having trouble uploading my receipt. They have been running this program for U.S. government employees for many years, and can assist you once you've been enrolled in the program.

**Bruce Moody:**

How can families make sure they're maximizing their use of flexible spending accounts?

**Megumi Murakami:**

Absolutely, Bruce. So like I said at the beginning, families have access to both dependent care and health care flexible spending accounts. We've spoken quite a bit about health care flexible spending accounts. And so now I'm going to dive in a little bit to dependent care, flexible spending accounts. The short is that EFMP families might be eligible to use both accounts. And so if you're using both accounts for eligible expenses, you're really maximizing the ability to lower your taxable income by the amount that you've set aside for these routine or known costs. A dependent care flexible spending account might support EFMP families because in order to use a DCFSa, not only do you have to be an eligible service member which we outlined earlier, but you also have to have an eligible dependent. And so an eligible dependent is a dependent under the age of 13 or a dependent who is mentally or physically incapable of self-care.

So a dependent care flexible spending account can be used for both child and adult care services, including adult day care, elder care, essentially any dependent that meets the two qualifications that I mentioned and is claimed on your taxes. If you're eligible for both, you can set aside the pretax earnings and those two separate accounts. And so to give an example, let's say your household chooses to use both a dependent care flexible spending account for your child's day care, as well as a health care flexible spending account for specialized services. If you contributed \$5,000 to your DCFSa and then the maximum for HDFSa is \$3,200, that means that you're lowering your taxable income by \$8,200. All of this said, I understand that this can be quite about a lot of information. And so if you'd like to better understand what are the benefits of lowering your taxable



income and using these benefits, we highly recommend seeking counsel from a DOD personal financial counselor or manager. These are free resources to you and they can help design a spending plan as well as a financial plan as it relates to flexible spending accounts for your individual family needs.

**Bruce Moody:**

Right. And we're going to put links in the program notes so that you can find these managers and counselors to help you out. What about the timing? What is the timing for open enrollment for both of the flexible spending accounts?

**Megumi Murakami:**

Absolutely. So for health care flexible spending accounts, this is the first year we're offering this benefit to service members. And so service members who are interested in enrolling in HCFSAs must do so during the special enrollment period, which is scheduled for March 3 to March 31 of 2025. For all years after this first year, they would enroll during federal benefits open season. Federal benefits open season typically occurs between mid-November and mid-December. It occurs at similar timeframe as TRICARE open season. That is when service members can enroll in both a dependent care flexible spending account, as well as a health care flexible spending account after this first year that we launch. You can also enroll if you've experienced a qualifying life event. These are special events that essentially make you eligible to enroll. Some relevant QLEs or qualifying life events for service members are permanent change of station or PCS, deployment as well as the birth or adoption of a child.

**Bruce Moody:**

Yeah, a lot of information to cover today. My last question to you would be where people can go to get started with this process.

**Megumi Murakami:**

I would get started by learning more about flexible spending accounts, particularly for EFMP families. That resource is located on the DOD Office of Financial Readiness website, and that EFMP guide will walk you through both types of flexible spending accounts as well as how to begin and get started.

**Bruce Moody:**

I'm really grateful for the both of you joining me today. We've covered a lot. I really appreciate you getting into all the details. Again, we've got a ton of resources, ton of links in the program notes. We can get more information. You can always call Military OneSource to get started if you like. But I just want to say thank you to the both of you for joining us today.

**Tomeshia Barnes:**

Thank you, Bruce.

**Megumi Murakami:**

Thank you for having us, Bruce.

**Bruce Moody:**

And I want to say thanks for joining this episode of the Office of Special Needs EFMP podcast series. It's brought to you by the Defense Department. Be sure to subscribe to this podcast wherever you listen to your podcasts. And bear in mind, we also have a link in the program notes. If you have any questions or any comments about what you've heard today, use that link and send us some feedback. We'd love to hear from you. I'm Bruce Moody. Thank you for listening. Take care. Bye-bye.