

Military OneSource Podcast — How to Save Money on Health Care

Episode transcript

Intro voice-over:

Welcome to the Military OneSource Podcast. Military OneSource is an official program of the Defense Department with tools, information and resources to help families navigate all aspects of military life. For more information, visit militaryonesource.mil.

Bruce Moody:

Welcome to the podcast, I'm Bruce Moody. Today, we're going to talk about how to save money on health care. Joining us today is Megumi Murakami, and she is with the Department of Defense. She is a director of the Flexible Spending Accounts for the DOD. So Megumi, welcome back to the podcast. We'll talk more about that in a second.

Megumi Murakami:

Thanks, Bruce.

Bruce Moody:

We're going to talk today about flexible spending accounts, but I want to let people know a couple of things. First of all, we had this sort of conversation on another podcast that we do, and that is for families who have special needs, and we talked about how these flexible spending accounts really could be a big help, a financial lift for families who have special needs. So we'll put a link in the notes here so people can find that particular episode. But I just want to say up front, because we're talking about money and money can sometimes be confusing, if you have any questions or comments, you can use a link in the program notes to send us any comments or questions that you have about what you're hearing today and then we'll help you out because we always like to hear from people.

So Megumi, let's get started. When I was a brand new Navy sailor, I didn't even know how to get to the end of my EZ form when it came time to doing taxes. Money was a mystery for me and that's not a good thing. So let's kind of get people on an even playing field today. And when we talk about a health care flexible spending account, what's that all about?

Megumi Murakami:

Absolutely, Bruce. A flexible spending account and specifically a health care flexible spending account is an optional benefit for service members. Flexible spending accounts used to only be available to DOD civilians, and this year we're really excited to announce that the Department of Defense is able to expand this benefit to service members. A health care flexible spending account or HCFSAs is really a way for service members to save while covering for health-related expenses. Service members choose each month to set aside a portion of their pay prior to taxes being deducted into an account, and the funds in that account can be used for health-related expenses from everything to co-payments, glasses, orthodontia, contact lens solution, sunscreen. There are over 300 eligible expenses for which they can use these pretax funds.

Bruce Moody:

Yeah, there's an actual list and we'll get into that later.

Megumi Murakami:

Absolutely. Yeah.

Bruce Moody:

So people don't have to guess. I think this is really important because you really owned flexible spending accounts and the delivery of them to DOD families. So really, why should a service member consider signing up for this new benefit?

Megumi Murakami:

I think there are a number of reasons why service members should enroll in this benefit. I think first of all, in talking with service members and DOD leaders, there are actually a lot of health-related expenses that they have each month that maybe they don't see as things that could actually be ways in which they can save. So let's say we have an active-duty service member with no dependents or spouse, they're on TRICARE Prime, it's in a wonderful and comprehensive health plan. But let's say they wear contacts. Contact lens solution and contacts can be expensive and add up, and all of those expenses could be expensed on a health care flexible Spending Account. Let's say you have a service member with dependents, so their spouse and children are on TRICARE Prime. All of the co-payments associated with TRICARE Prime and all of the little health care-related expenses add up over time over the course of the year. And so like I said in the beginning, it's a way for service members to save while paying for expenses that occur each year.

Bruce Moody:

That's a really interesting point. I'm glad you mentioned that because a lot of people are going to say, "Well, health care, it's covered. I got TRICARE. I'm in the military. If I don't feel well, I just go to the health care clinic on base, I'm good to go." But there's a lot that we spend. You may be at the commissary, like you say, picking up contact solution, and it does add up over time. So what should somebody consider before they enroll in a health care flexible spending account?

Megumi Murakami:

So the first thing is they need to determine whether or not they're eligible for health care flexible spending account. So eligible service members include those in the active component, service members in the reserve component performing Active Guard and Reserve or AGR duty, and then National Guard members who are performing AGR duty. So first is, are you eligible? Second is really thinking through, do I have eligible expenses? And so there are a number of ways in which service members can determine whether things that they're paying for each year are eligible for an HCFSAs. We first would direct them to the DOD's resources on this. We've developed an eligible expenses guide, which will be linked below, where they can look at the general categories of what is eligible and determine whether or not they're actually spending money on those items.

Bruce Moody:

So if somebody is trying to figure out whether an HCFSAs is right for them, among the things that they can do is look at the list. I think the list is really, really helpful. I can tell you from personal experience, you're buying stuff or you're considering getting some sort of service or appointment, and you can just look at the list and see whether or not that's covered. And I'll tell you, usually what happens is as you're skimming through the list, you go, "Oh, that's covered too? I wouldn't even associate that with health care." So I really encourage people to have a look at that list. Any other suggestions of where people might go to find out if an HCFSAs is right for them?

Megumi Murakami:

Sure. So one of the things I do actually when I talk to service members is I just ask them what is something that they're paying for maybe on a monthly basis or on a quarterly basis? A service member recently informed me that their spouse receives fertility treatments, and those fertility treatments are HCFSAs eligible. And so if you know exactly what the expense is that you pay each month, you can go to [FSAFEDS.GOV](https://www.fsa.feds.gov) and look up the actual treatment in a search bar and they will tell you whether or not that expense is eligible for an HCFSAs.

I would like to note that there are certain expenses that require an addition to a receipt to show that you indeed have made that expense, something called a letter of medical necessity. This is truly a very easy additional documentation to fill out for this eligible

expense. And the example I'll give is dyslexia treatment. So dyslexia treatment is not covered under TRICARE. It is covered if the service member is registered under the extended care health option. But let's say in this example, they're on TRICARE, they have to pay for dyslexia treatment for their dependent. They would have to fill out a letter of medical necessity, which has a few basic pieces of information, the physician, the signature of the physician, the treatment, the course of treatment, and submitting that alongside the receipt for that dyslexia treatment would make that expense eligible for the service number.

Bruce Moody:

Okay, good. When can somebody spend the money that they've put into one of these flexible spending accounts?

Megumi Murakami:

Sure. So health care flexible spending accounts are a great benefit in that once you've enrolled and your account is established, the full amount that you have decided to contribute is available on day one. So let's say I decided to contribute the maximum from my pay \$3,200. That full amount is available in my account once the account has been established, even though I haven't made all of the payroll deductions over the course that I've decided to make up that amount.

Bruce Moody:

That's a really good point. You decide at the beginning of the year how much money you put into it. Well, what happens at the end of the year, you haven't spent all that money, is it a use or lose kind of a situation?

Megumi Murakami:

So health care flexible spending accounts are unique in that if you reach the end of the year and you have unused funds in your account, provided that you reenroll for the next plan year, you can carry over any unused funds up to \$640.

Bruce Moody:

If it's more than 640, does that just become money that is then no longer shielded and just considered taxable?

Megumi Murakami:

So if you have unused funds that are not carried over, you will forfeit those funds. They go back to the program to run the program, but you still receive the tax benefit of setting those funds aside at the end of the year. It's just that you won't get them back through the reimbursement process.

Bruce Moody:

Okay. That's really interesting. So how can a family avoid losing any of these funds that they've set aside for themselves?

Megumi Murakami:

So the first thing I would recommend doing is accessing a personal financial counselor or personal financial manager. This is free consultation to all service members through the DOD Office of Financial Readiness. They can help you put together a spending plan and help you think through what you'll spend in the course of a year and whatever that amount is of health care or health-related expenses that you plan to expend in that year, I would add \$640 to that. So it's everything you've already accounted for that you're going to spend plus the \$640 knowing that that carries over into the next year. We also understand that there is a learning curve with using these benefits, and so if you can contribute as little as \$100 or the maximum of \$3,200 per year, and so you can start small as well and see how it works before contributing more funds than perhaps you're prepared to expend in that year.

Bruce Moody:

Got it. And again, that list, I find that list to be extremely helpful. Maybe it's a good idea to look at that list before you make the call to get some help and some consultations on what to do. So my other question for you is, when can service members enroll in a health care flexible spending account?

Megumi Murakami:

Great question, Bruce. So for the first year we're offering health care flexible spending accounts, service members who are interested in eligible must enroll during a special enrollment period, that is from March 3 to March 31, 2025. They would enroll during this period for this first year. All future years, they would enroll during federal benefits open season, which occurs mid-November to mid-December each year. They would enroll at FSAFEDS.gov. FSAFEDS is the program that administers these benefits to service members. They've been administering the benefit to federal civilians for many years, and now will do so for military members as well. It's all online and can also be done through the FSAFEDS app. We highly recommend that service members who decide to enroll in the benefit download the app because it's really easy to manage your account from your phone at your fingertips.

Bruce Moody:

Yeah, that was my other question. How do they enroll? So once somebody is opening up the app or the page to enroll, is there anything that they should have handy when they're going to enroll? What sort of information will they be required to provide?

Megumi Murakami:

Because FSAFEDS is administered by the government, and in this case, the Office of Personnel Management, it is a login.gov type enrollment. So they will, like a lot of other kind of benefits that they access, they would just go through the login.gov portal through FSAFEDS.gov. In terms of additional information, the only things that you'll be asked is to put down your agency. So that could be depending on the service member, Army, Navy, Air Force, etc. As well as answer a few questions related to whether or not they're eligible, which is the list of eligibility that I provided at the start of this podcast.

Bruce Moody:

So we're having this conversation about the health care flexible spending account, but there's also, and I don't want to confuse this and maybe you can talk about the difference, but there's also the dependent care flexible spending account, and that's been offered to military for a little more than a year or so. So you've got the health care and then the dependent care flexible spending accounts, plural. What is the difference between the two and can you enroll at both at the same time?

Megumi Murakami:

So the key difference between the two accounts are what expenses you use them on. So for dependent care flexible spending accounts, you would use that on child and adult care for your dependents. And it's really important again, that it would be the care for those dependents that you claim on your taxes. So that's everything from child and development center fees, preschool, elder care, if it's an adult dependent on your taxes. For health care, it's health-related expenses like we've gone over earlier, co-payments, vision care, dental care and drugstore items. Service members can enroll in both dependent care and health care flexible spending accounts provided that they are eligible for both. And you're absolutely right, Bruce, we have offered dependent care for a year now, and so service members who are enrolled in dependent care, you might want to consider looking into a health care flexible spending account as this is just another way in which you can essentially save while you pay on your family's care.

Bruce Moody:

Okay, so we'll wrap this up. There's a lot of great links in the program notes that just really get into all the details here. Really appreciate you being with us today. Just as a general perspective, we're both obviously part of the Department of Defense, what is your thoughts basically these sorts of benefits that we are offering to military families?

Megumi Murakami:

Flexible spending accounts are a financial tool for service members that allows them to set aside a portion of their pay prior to taxes being deducted to pay for their family's care. So that includes child care as well as health care. By using these pretax dollars to pay for these eligible expenses, essentially, you're lowering your taxable income by the

amount that you have set aside, and lowering your taxable income can have benefits for the service member based on their individual attack situation.

Bruce Moody:

Megumi is the executive director for Flexible Spending Accounts at the Department of Defense. Thank you so much for joining us again.

Megumi Murakami:

Thank you for having me, Bruce.

Bruce Moody:

Our pleasure. And want to remind everybody that Military OneSource is an official resource of the Defense Department. We always like to hear from you. There's a link in the program notes. Click on that to send us a question, a comment, maybe an idea for a future episode, and be sure to subscribe to this podcast wherever you listen to your podcasts because we cover a wide range of topics to help military families navigate military life. I'm Bruce Moody. Thanks so much for listening. Take care. Bye-bye.