

News From The Employee Benefit Research Institute

New “Fast Fact” Research Report Finds Workers Who Manually Submitted at Least One Flexible Spending Account Expense Had Fewer Forfeitures, Saved Average of \$114

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(Washington, D.C.) – A new “Fast Fact” research report published today by the Employee Benefit Research Institute (EBRI) titled “Flexible Spending Account Substantiation, Substantial Tax Savings” finds that workers who manually submitted at least one flexible spending account (FSA) expense charge were more successful in spending down their FSA balances compared with those workers who auto-substantiated all expense claims.

“As the year comes to a close, workers who hold FSAs would do well to check their remaining balances and maximize their tax advantages by paying for qualified medical expenses with their FSA. Previous analyses of the EBRI FSA Database suggested that roughly half of accountholders carried a balance that implied a forfeiture of some funds back to their employer,” explained Jake Spiegel, wealth and health benefits research associate, EBRI. “The average forfeiture was \$441. While some FSAs have a rollover feature, roughly one-third of the accounts in the EBRI FSA Database are ‘use-it-or-lose-it,’ implying that any unspent funds by the end of the plan year are forfeited back to the employer.”

New EBRI research found that workers with at least one manually substantiated claim were 13 percentage points less likely to forfeit funds back to their employer than workers with auto-substantiated claims only, and their average forfeiture was \$114 less.

Recent innovations have made it easier for workers to spend down their FSA balances. For example, on some retailers’ websites, customers can search for and filter products by FSA eligibility, and many retailers participate in a system known as the Inventory Information Approval System, which automatically identifies FSA-eligible expenses at the point of sale. This enables a process known as auto-substantiation, which makes the reimbursement process nearly seamless when using an FSA payment card.

To view the complete EBRI Fast Fact report, “Flexible Spending Account Substantiation, Substantial Tax Savings,” visit [https://www.ebri.org/docs/default-source/fast-facts-\(public\)/ff-520-fsas-12dec24.pdf](https://www.ebri.org/docs/default-source/fast-facts-(public)/ff-520-fsas-12dec24.pdf).

The EBRI FSA Database is a representative repository of information about individual flexible spending accounts. The database includes information provided by a wide variety of account recordkeepers and represents the characteristics and activity of a broad range of FSA contributors. As of Dec. 31, 2022, the EBRI Database includes over 3.2 million flexible spending accounts representing over \$3.6 billion in contributions.

The Employee Benefit Research Institute is a non-profit, independent and unbiased research organization that provides the most authoritative and objective information about critical issues relating to employee benefit programs in the United States. The organization also coordinates activities for the Center for Research on Health Benefits Innovation, Financial Wellbeing Research Center and Retirement Security Research Center and produces a variety of leading industry surveys during the year. For more information, visit www.ebri.org.

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