

Orthodontics and Flexible Spending Accounts (FSAs): 10 Things You Need to Know

1. Is Orthodontia an FSA eligible expense?

Yes. IRS regulations allow a Health FSA participant to be reimbursed for orthodontia services.

2. Do I need to submit a letter of medical necessity?

Yes, Peak1 requires a letter of medical necessity as orthodontic treatments can be considered cosmetic.

3. Does an employee have to be an active participant in the plan?

To be reimbursed for orthodontia expenses, the employee must be actively employed (or participating through COBRA) and making contributions to the Health FSA.

4. What are the rules about prepaying for Orthodontia services using my FSA?

Where the employee is prepaying for services, the date of service is deemed to be the date of payment. This is an exception to the standard rule for FSAs, which holds that reimbursement is based on the date of service rather than the date of payment.

5. What documentation is required for lump sum payments?

Submit documentation from the orthodontist showing the name of the person receiving the treatment, the beginning date of the treatment, the contracted amount, and the amount you paid. Credit card slips, bank statements, or cancelled checks are not valid documentation under IRS rules.

6. What documentation is required for payment plans?

For your first claim, submit your payment contract with the orthodontist showing the name of the person receiving the treatment, the beginning date and ending date of the treatment, total contracted amount, scheduled monthly payment amount, and total amount of your first payment (including any initial fees or records fees). For each claim thereafter, submit documentation from the orthodontist showing the amount you paid and the name of the person receiving the treatment.

7. What Orthodontic expenses can be reimbursed?

You may be reimbursed the initial fee, plus any monthly payments made during the period of coverage.

8. How much can be reimbursed?

If paid in full by cash, check or credit card the full amount may be reimbursed if allowed by your plan.

9. Do services have to be rendered before making a payment using an FSA?

IRS rules require that the payment must be made specifically in order for a service to be rendered. Payments for services rendered in previous plan years, or prepayments for services not to be rendered until a later plan year are not reimbursable.

10. Can orthodontia expenses be made using a deferred payment plan using my FSA?

Previous informal IRS guidance has confirmed that it is permissible for orthodontia expenses to be reimbursed according to a deferred payment plan. This method is especially helpful for participants who do not do lump-sum payments or who have significant expenses over a multi-year period.