



# 2026 | FLEXIBLE SPENDING ACCOUNTS



UNIVERSITY HUMAN RESOURCES  
BENEFITS OFFICE  
UNIVERSITY OF MICHIGAN



**Benefits Information by Phone**

The Shared Services Center - HR Customer Care can answer many of your benefits questions. Call: 734-615-2000 or 866-647-7657 (toll free for off-campus long-distance calling within the U.S.). Representatives are available by phone to assist you 8 a.m. to 1 p.m. and 2 to 5 p.m., Monday - Friday. Have your UMID number handy when you call.

**Benefits Information on the web**

hr.umich.edu/benefits-wellness  
InspiraFinancial.com

**711 for Telecommunications Relay Service**

Call 711 and ask the operator to connect you to the SSC - HR Customer Care at 734-615-2000 or 866-647-7657 (toll free). Representatives will be happy to assist you.

**CONTENTS**

**Flexible Spending Accounts (FSAs) . . . . . 1**  
 How You Benefit . . . . . 1  
 Plan Overview . . . . . 2  
 Eligibility, Enrollment, and Effective Date . . . . . 4  
 Bi-Weekly Payroll Deduction Schedules for Flexible Spending Accounts . . . . . 5

**Your Dependent Care FSA . . . . . 6**  
 Contribution Limits . . . . . 6  
 Guidelines for Determining Your Dependent Care Maximum Contribution Amount . . . . . 6  
 Special Limits for Highly Compensated Faculty and Staff . . . . . 6  
 If You Are Divorced or Separated . . . . . 7  
 Eligible Dependent Care Expenses . . . . . 8  
 Estimating Your Eligible Dependent Care Expenses . . . . . 9  
 Filing Dependent Care FSA Claims for Reimbursement . . . . . 12  
 Changing Your Dependent Care FSA Election . . . . . 13

**Your Health Care FSA . . . . . 16**  
 Contribution Limits . . . . . 16  
 Eligible Expenses . . . . . 16  
 Examples of Ineligible Expenses . . . . . 17  
 Estimating Your Eligible Health Care Expenses . . . . . 18  
 Filing Health Care FSA Claims for Reimbursement . . . . . 19  
 Changing Your Health Care FSA Election . . . . . 21

**Special Circumstances that May Affect FSA Claims Payment . . . . . 23**

**Resources from Inspira Financial—  
The FSA Claims Processor . . . . . 24**

**Claim Denial and Appeal Procedures . . . . . 26**

**Sick Child/Emergency Backup Care Provided Through Kids Kare at Home . . . . . 26**

**Limitations**

The university in its sole discretion may modify, amend, or terminate the benefits provided in this booklet with respect to any individual receiving benefits, including active employees, retirees, and their dependents. Although the university has elected to provide these benefits this year, no individual has a vested right to any of the benefits provided. Nothing in these materials gives any individual the right to continued benefits beyond the time the university modifies, amends, or terminates the benefit. Anyone seeking or accepting any of the benefits provided will be deemed to have accepted the terms of the benefits programs and the university's right to modify, amend or terminate them.

Every effort has been made to ensure the accuracy of this book. However, if statements in this book differ from applicable contracts, certificates, and riders, then the terms of those documents will prevail. All benefits are subject to change.



## FLEXIBLE SPENDING ACCOUNTS

### How You Benefit

The university's FSAs add value and convenience to your health and dependent day care expenditures. They also reduce your tax bill. Here's how:

1. Each year, you decide the amount you will contribute to your Health Care and/or Dependent Care FSA. This amount should cover your expected out-of-pocket health care and/or dependent day care expenses for the year.
2. The contribution amount you choose will be divided into equal amounts—24 if you are paid bi-weekly and 12 if you are paid monthly—and deducted from your paychecks. The deducted amount will be deposited into the appropriate FSA and reported to Inspira Financial, the plan's claims processor, on a monthly basis. That amount will also be deducted from your taxable earnings and, therefore, not taxed.
3. As you and your eligible dependents incur eligible expenses, all you need to do is submit reimbursement claims to Inspira Financial. **If you pay your medical expenses with your Health Care Spending Account card, save your itemized receipts. Inspira Financial will require this documentation to substantiate your claim. If a receipt cannot be provided, you may be requested to pay back the amount you were reimbursed.**
4. You can claim amounts equal to your entire annual health care contribution from your Health Care FSA at any time during the year.
5. To receive a reimbursement from your Dependent Care FSA, you must have accumulated sufficient contributions to cover the claim being made.
6. You will not pay taxes on the amounts you contribute to either account, and your annual taxable income is reduced by the amount of your contribution.
7. **One cautionary note:** It is important to carefully—and accurately—predict your yearly out-of-pocket expenditures. Any amounts contributed to your account for which a reimbursement claim is not made by the deadline will be forfeited. In other words—use it or lose it!
8. You can incur eligible expenses for your 2026 accounts until March 15, 2027.
9. You can file claims for reimbursement of 2026 expenses through May 31, 2027.
10. Please read this book carefully to make sure you understand the key features of this valuable tax-saving program.

## PLAN OVERVIEW

The university's Flexible Spending Accounts (FSAs) allow you to set aside pre-tax dollars for certain out-of-pocket health care and dependent day care expenses, thus lowering the amount of income tax you will pay while providing more value for every expenditure you make.

The university offers three types of accounts—a Dependent Care FSA, a Health Care FSA and Limited Purpose FSA:

- A Dependent Care FSA allows you to put aside pre-tax dollars to cover day care expenses for your eligible dependents so you can work, or if you are married, so you and your spouse can work or your spouse can attend school full time.
- A Health Care FSA covers eligible health care expenses for you and your eligible dependents. If you are enrolled in the U-M Consumer-Directed Health Plan (CDHP), you are not eligible for this option.
- A Limited Purpose FSA covers eligible dental, orthodontic and vision expenses. This is available only to employees enrolled in the Consumer-Directed Health Plan (CDHP).

### How the Accounts Work

Managing an FSA is simple. Each year you estimate your annual health care and/or dependent day care expenses and contribute this sum on a pre-tax basis into the appropriate FSA.

If you are paid on a monthly basis, contribution amounts are reported to Inspira Financial at the end of the month in which the payroll deduction is taken. If you are paid bi-weekly, deductions are taken from the first two paychecks each month and reported at the end of the month.

As you incur eligible expenses, you simply submit the required documentation to Inspira Financial. (See pages 12 and 19 for more information about submitting claims and receiving reimbursements.)

Important differences to remember:

- You can file claims for amounts totaling up to your entire annual health care contribution from your Health Care FSA at any time during the year.
- To receive a reimbursement from your Dependent Care FSA, you must have accumulated sufficient contributions to cover your claim at the time your request is made.
- The Limited Purpose FSA is just like the Health Care FSA except it can be used only to pay for vision, dental, and orthodontic expenses. It cannot be used to pay for health care expenses.

## Advantages of FSAs

- **You lower your taxable income.** Your FSA contributions are deducted from your paycheck on a pre-tax (tax-free) basis—before federal, state, and Social Security (FICA) taxes are taken out. For example, if you earn \$3,000 a month and contribute \$200 to your Health Care FSA, you pay taxes on \$2,000 a month. The tax savings are reflected in your paycheck each month, all year.
- **Your other university benefits are not affected.** Your FSA contributions lower your taxable income but they do not lower the amount of salary used to calculate your other benefits—including your Retirement Plan contributions, Long-Term Disability, Group Life Insurance and Business Travel Accident Insurance.
- **You realize additional savings.** Since contributions deposited into your FSAs are tax-exempt, you are using tax-free dollars to pay your eligible health care and dependent day care expenses. Also, FSAs have a built-in budgeting component—when you make your annual contribution, you have ensured that you will have money available to pay for your eligible medical and dependent day care expenses. And with the reimbursements provided by Inspira Financial, you will have access to the total amount available for eligible health care expenses as soon as the expenses are incurred.
- **You receive immediate benefits.** When you use an FSA you realize immediate tax savings every payday. If you take medical expense deductions or claim a dependent care tax credit, you cannot claim your savings until you file your annual tax return.
- **Having a Health Care FSA may be more advantageous than merely taking medical expense deductions when you file your tax return.** Only those medical expenses that exceed 10% of your adjusted gross income can be deducted when you file your annual federal income tax return, whereas all amounts contributed to a Health Care FSA—beginning with the first dollar—are tax-exempt. And you will be reimbursed even for small amounts, such as copays, prescription expenses, and other minor medical and dental expenses.
- **Depending on your annual income, a Dependent Care FSA may also be more advantageous than taking a Dependent Care Tax Credit on your tax return.**



**Important points to remember:**

- You cannot “double deduct.” For example, you cannot take a tax credit on your income tax return for expenses that are reimbursed to you through a Dependent Care FSA. Similarly, you cannot take a medical expense deduction for expenses that are reimbursed to you through a Health Care FSA.
- Any sum reimbursed from your Dependent Care FSA reduces your eligible Dependent Care Tax Credit by the same amount.
- **There is a deadline for submitting claims.** FSAs are subject to a “use it or lose it” rule imposed by the IRS. The IRS requires you to forfeit any unclaimed money in your Health Care and/or Dependent Care FSA after the closing date for the plan year. **All claims for 2026 must be received by Inspira Financial, no later than May 31, 2027.**
- Reimbursements may only be made for claims incurred during the period of coverage with the exception of orthodontia (contact Inspira Financial for details on claiming orthodontia expenses). Expenses are treated as having been incurred when the participant is provided with the medical care that precipitates the expense, not when the participant is billed or pays for the care.

## ELIGIBILITY, ENROLLMENT, AND EFFECTIVE DATE

### Eligibility

You can contribute to Dependent Care, Health Care or Limited Purpose FSAs as long as you receive a salary for at least four consecutive months at the University of Michigan and you are in one of these groups:

- regular or supplemental faculty or staff member;
- Lecturer's Employee Organization (LEO) members with a 50% or greater appointment;
- House Officer;
- Graduate Student Instructor (GSI), Graduate Student Research Assistant (GSRA), Graduate Student Staff Assistant (GSSA) with a 25% or greater appointment;

or

- Research Fellow.

FSA contributions cannot be made from a fellowship grant, a stipend, or from temporary hourly paychecks.

You must have sufficient earnings to cover the amount you choose to contribute to an account.

### Enrollment

Participation in FSAs is completely voluntary. If you wish to participate, you must enroll each year, even if you wish to continue the same annual contributions from year to year. See this page for effective dates.

The enrollment process differs between new and continuing faculty and staff.

- **Newly hired faculty and staff** must enroll on Wolverine Access or complete a 2026 Flexible Spending Account enrollment form, available at: [hr.umich.edu/fsa-forms-documents](https://hr.umich.edu/fsa-forms-documents). To be valid, enrollment in this program must occur within 30 days of the date you were hired or the date of your newly eligible appointment. This deadline may differ for some bargained-for groups. Refer to your bargaining agreement for details.
- **Continuing faculty and staff** are asked every year to re-enroll in an FSA during the annual Open Enrollment. If you wish to participate in an FSA for the next year, you must re-enroll during Open Enrollment, usually held during October. Failure to re-enroll will result in cancellation of plan participation.

### Effective Dates

If you enroll in a Flexible Spending Account (FSA) for 2026, your election is effective as follows:

- If you are a continuing faculty or staff member and you enrolled during Open Enrollment, your election will be effective from January 1 through December 31.
- If you are a newly hired or newly eligible faculty or staff member, your enrollment becomes effective on the first day of the month following the date the SSC Benefits Transaction team receives your enrollment form or the date of eligibility, whichever is later, and it remains in effect until December 31.
- After you have elected to receive benefits or waive participation under the plan, the IRS requires that you may not start or stop participating or change the amount of your contribution during the plan year until the next Open Enrollment period, unless you experience an eligible change in status during the year. You must report the change in status within 30 days of the event, and the effective date is the first day of the month following the date SSC Benefits Transactions receives your change form. IRS rules prohibit retroactive adjustments.

### Before You Enroll, Consider This:

- **You can only request reimbursements for eligible expenses.** Your 2026 FSAs can only be used to reimburse eligible expenses for care provided from the effective date of your enrollment through March 15, 2027. Different rules apply to Dependent Care, Health Care and Limited Purpose FSA expenses if your participation in the plan ends before December 31. Refer to page 23 for details.
- **Deadline for submitting claims.** All 2026 claims must be received by Inspira Financial no later than May 31, 2027.
- **Your enrollment is effective until December 31, 2026.**
- Once you enroll in an account, you cannot stop or change your deductions unless you have a change in status. See pages 13 – 15 and 21 – 22 for more information concerning changes in status.

- **Once you have specified a salary reduction (contribution amount),** that amount is divided equally over the number of pay periods that remain following your effective date of participation in the plan (see below if you are paid bi-weekly). If you do not receive a paycheck, or have insufficient salary from which to take your FSA deduction, your FSA payroll contribution amount will increase in the following months in order to reach your annual contribution amount.
- **Under the Internal Revenue Service rule,** eligible health care and dependent care expenses can be incurred until March 15 in order to file claims against unused balances from the previous plan year. The extension is designed to help employees avoid losing money they put into their Health Care FSA, Dependent Care FSA or Limited Purpose Health Care FSA but have not claimed by the end of the calendar year.
- **Account funds are not transferable.** You cannot use a Dependent Care FSA to reimburse health care expenses, and you cannot use a Health Care FSA or Limited Purpose Health Care FSA to reimburse dependent day care expenses. Also, you cannot transfer funds from your account into your spouse's account, and you cannot transfer your participation into an account to your spouse.
- **Appropriate documentation is required.** Itemized receipts are required for reimbursement. You should keep copies for your files of all documents submitted for reimbursement. Refer to pages 12 and 19 for additional claim filing instructions.
- **Save all your receipts.** You will need them to file claims. If you pay your medical expenses with your Health Care Spending Account card, Inspira Financial will require itemized receipts to substantiate your claim.
- **Use it or lose it.** Estimate your expenses carefully before you establish your annual contribution amount. Do not contribute more than you reasonably expect to spend on eligible expenses for the year as mentioned in the "Plan Overview" section, page 2. The IRS requires that you forfeit any funds left in your account after the reimbursement deadlines have expired. Funds remaining in 2026 account(s) on June 1, 2027 will be forfeited.
- **Your contributions will lower your Social Security Wage Base.** If you earn the Social Security maximum salary, your FSA contributions will lower your FICA Social Security taxes. Since your Social Security taxes will be calculated after your FSA contributions are subtracted, your Social Security benefits may be slightly lowered as well.

#### **Enrollment Confirmation Statement**

After your enrollment is processed by SSC Benefits Transactions, you will receive a confirmation statement in the mail at your home address on record with the university. Please review the statement carefully and report any processing errors within ten (10) days to the SSC - HR Customer Care at: 734-615-2000 or 866-647-7657 (toll free). The SSC - HR Customer Care is unavailable daily from 1 – 2 p.m.

#### **Bi-weekly Payroll Deduction Schedules for Flexible Spending Accounts**

If you are paid bi-weekly, the contribution amount you elect for Health Care, Dependent Care or Limited Purpose Health Care Flexible Spending Accounts (FSA) is divided into 24 equal amounts. Deductions will be taken from the first two paychecks each month. In months where there are three paychecks, you will not have a deduction from the last paycheck. Deductions taken in one month are reported to Inspira Financial on the first working day of the following month.

You can claim amounts equal to your entire annual health care contribution from your Health Care FSA or Limited Purpose Health Care FSA at any time during the year. However, to receive a reimbursement from your Dependent Care FSA, you must have accumulated sufficient contributions to cover the claim being made.

## YOUR DEPENDENT CARE FSA

Covers eligible day care expenses for your eligible dependents so you can work, or if you are married, so you and your spouse can work, or your spouse can attend school full time.

### Contribution Limits

Federal tax laws place limitations on the amount you can contribute to a Dependent Care Flexible Spending Account each plan year. You may choose an annual contribution of any whole dollar amount up to the maximum family amount for which you qualify. Your maximum contribution depends upon your annual earnings, your tax filing status, your spouse's annual earnings, and several other factors.

### Guidelines for Determining Your Dependent Care Maximum Contribution Amount

You may contribute up to the lesser of:

- \$7,500 per plan year if you are single or if you are married and filing a joint income tax return;
- \$2,500 if you are married and filing a separate income tax return;
- your total earned income; or
- your spouse's total earned income. (For example, if you earn \$30,000 and your spouse earns \$4,000, the most you can contribute to your Dependent Care FSA is \$4,000.) However, if your spouse is incapable of self-care or is a full-time student during a month that you incur eligible dependent day care expenses, special rules apply. If your spouse is incapable of self-care or is a full-time student, their earned income is considered to be at least \$250 per month (\$3,000 per year if you claim one dependent), or at

least \$500 per month (\$6,000 per year) if you claim two or more. To be considered a full-time student, your spouse must attend school for at least five months of the year and may not be exclusively a student enrolled in night school.

The federal maximum contribution limit applies to contributions made to this and other dependent care flexible spending accounts you or your spouse participate in during a given year. Therefore, if you start working at the university after the beginning of the plan year and would like to participate in the Dependent Care Flexible Spending Account, you must consider any contributions made to your previous employer's dependent care plan when determining your maximum contribution limit for this account.

It is your responsibility to ensure your annual contributions, separately or combined with your spouse's, do not exceed the maximum amount allowed by the IRS.

### Guidelines for Determining Your Dependent Care Maximum Contribution Amount


#### Special Limits for Highly Compensated Faculty and Staff

The IRS allows pre-tax contributions to FSAs as long as the plan does not favor highly compensated employees (HCE) as defined by the IRS. For the 2025 plan year, you are considered "highly compensated" if your family gross earnings are \$160,000 or more in 2025.

### Dependent Care FSA Contribution Limits

TAX FILING STATUS	2025 ANNUAL EARNINGS	CONTRIBUTION LIMIT
Single	Less than \$160,000	\$7,500 per year
	\$160,000 or more	\$300 per month (\$3,600 <sup>1</sup> per year)
Married, filing separately	Less than \$160,000	\$2,500 per year for each spouse
	\$160,000 or more	\$2,500 per year for each spouse
Married, filing jointly	Less than \$160,000	\$7,500 per year per family
	\$160,000 or more	\$300 per month (\$3,600 <sup>1</sup> per year) per family

<sup>1</sup>If you are hired after January 1, 2026, the amount per year will be \$300 times the number of months you will actually be enrolled in the plan. If you have any questions, contact the SSC - HR Customer Care.



The IRS determines whether a plan discriminates in favor of HCEs by looking at the ratio of participation between those who earned less than \$160,000 in 2025 on the one hand, and those who earned \$160,000 or more on the other.

In accordance with IRS regulations against discrimination, the Benefits Office examines FSA plans each year to ensure that they do not disproportionately benefit employees the IRS considers “highly compensated.” The Benefits Office determines the amount that can be contributed by HCEs at the beginning of each year (\$3,600), but if at any time during the year that ratio is not being met, the university will reduce contributions made by participants who earn \$160,000 or more in 2025 to ensure compliance with IRS rules.

If you are an HCE, your deduction may not exceed \$3,600 per family for a married couple filing jointly, or for a single parent. For an HCE married person filing separately, the limit is \$2,500. If a Dependent Care FSA fails the nondiscrimination test, highly compensated employees will be taxed on all of the dependent day care assistance benefits they received during the calendar year. It is for this reason that the \$3,600 maximum contribution amount is imposed on certain employees considered to be HCEs as defined by the IRS. Employees who are not highly compensated will not be affected.

### **If You Are Divorced or Separated**

As a general rule, eligible dependent care expenses are those associated with the day care provided to your eligible dependents. To be a qualifying person, your child usually must be your dependent for whom you can claim an exemption.

Even if you cannot claim your child as a dependent, they are treated as your qualifying person if you are the child’s custodial parent. The custodial parent is the parent with whom the child lived for the greater number of nights in 2026. If the child was with each parent for an equal number of nights, the custodial parent is the parent with the higher adjusted gross income. For details and an exception for a parent who works at night, see IRS Publication 501.

The noncustodial parent cannot treat the child as a qualifying person even if that parent is entitled to claim the child as a dependent under the special rules for a child of divorced or separated parents. For additional information, see IRS Publication 503.

For more information on IRS rules pertaining to Dependent Care Expenses, please refer to IRS Publication 503, “Child and dependent care expenses.” It is available at: [irs.gov/publications/p503](https://irs.gov/publications/p503)

## ELIGIBLE DEPENDENT CARE EXPENSES

As a general rule, eligible dependent care expenses for 2026 are those associated with the day care provided in 2026 to your eligible dependents while you (and your spouse if you are married) were either at work or looking for work, or so that your spouse could attend school full time.

### Eligible Dependents

Eligible dependents are:

- children under the age of 13 who you will claim as exemptions for federal tax purposes for 2026;
- a spouse who is physically or mentally unable to care for themselves and resides with you for more than 1/2 of the calendar year; or
- your parent or other qualifying relative who is physically or mentally unable to care for themselves. To be a qualifying relative, the individual must meet the following requirements: (1) have the same principal place of abode as the employee for the entire calendar year; (2) be a member of the employee's household for the entire calendar year; (3) receive more than half of their support from the employee; (4) not be the employee's "qualifying child" under Code Section 152; and (5) be a U.S. citizen, U.S. national or a resident of the U.S., Canada, or Mexico.

### Eligible Dependent Care Expenses

This list is not complete; other items may be eligible. If you anticipate large expenses that are not listed, or you have other eligibility questions, contact Inspira Financial. You can find a complete description of eligible dependent care expenses in IRS Publication 503, "Child and Dependent Care Expenses."

To be eligible for reimbursement, care must be provided by:

- home-based licensed day care providers;
- licensed day care center (elder care or child care);
- nursery school;
- private babysitter in your home or theirs;
- private preschool program;
- providers of care for disabled dependents;
- public or private before-school and/or after-school programs for custodial care;
- public or private summer day camps;

- your child, age 19 or older, or any other individual you do not claim as a dependent on your income tax return; or
- immigrants who have filed and are waiting for their green card are eligible day care providers only if they have a U.S. Social Security number.

### Ineligible Expenses

- babysitting for social events;
- care provided by your child under age 19 or any other person you claim as a dependent on your income tax return;
- cost of food, clothing, and diapers (unless such costs are incident to and cannot be separated from the cost of the day care);
- cost of transportation between your home and the place where dependent day care services are provided;
- cost of specialty or educational before-school or after-school programs;
- expenses for overnight camps;
- expenses for which a dependent care tax credit is taken or expenses that are reimbursed under a Health Care FSA;
- expenses for education;
- late payment fees;
- placement fees for providing a dependent day care provider (i.g., an au pair); or
- sports lessons, field trips, and clothing

## ESTIMATING YOUR ELIGIBLE DEPENDENT CARE EXPENSES

To help you estimate your dependent day care expenses—and calculate the amount of pre-tax salary to deposit into a Dependent Care FSA—use Inspira Financial's interactive worksheet on their website at: [inspirafinancial.com](https://www.inspirafinancial.com)

### Dependent Care Tax Credit

The university cannot provide you with tax advice. This information is included to assist you in making an informed decision based on current tax allowances under the federal Child Care Tax Credit.

Depending on your income, it may be more advantageous to take a tax credit when filing your income tax return than paying your expenses through a pre-tax dependent care FSA.

The amount you save on taxes will vary depending on the method you use, your salary, your expenses, and your tax status. Different tax-savings methods affect your cash flow, financial flexibility, and federal income tax return preparation in different ways. Consult your tax advisor for help determining what is best for you.

For information on IRS rules pertaining to dependent care expenses, refer to IRS Publication 503, "Child and Dependent Care Expenses."

### Dependent Care FSA and the Tax Credit — How They Are Alike

- You must be at work or looking for work while your child or other eligible dependent is receiving day care. If you're married, your spouse must be employed in a paying job, looking for work, attending school full time, or disabled.
- The child or other dependent must live in your home and must be claimed as a dependent on your federal income tax return. You must pay a qualified person to care for your eligible dependent at your home, at a licensed day care center, at a day camp, or at another location, except any overnight camp, or any school for first grade or above. (School expenses for children below the first grade may or may not be eligible, depending on your day care arrangement. Refer to IRS Publication 503 or consult your tax advisor. A qualified person providing dependent day care does not include your spouse, any of your children under age 19, or any other person whom you claim as a dependent.
- Children under the age of 13 are eligible. Expenses for other dependents such as children age 13 or older, parents, or a spouse may be reimbursed only if the dependents are disabled or cannot otherwise care for themselves because of physical or mental problems. To be considered your dependent, the individual must reside with you for more than 1/2 of the calendar year and must be someone who you could claim as an exemption on your taxes. You must show on your federal income tax return for the year in which the day care is provided the name, address, and (except for churches or other tax-exempt dependent care centers) the taxpayer identification number of any person or dependent care center that you pay to provide dependent care. Failure to comply or to provide accurate information may result in a penalty, either loss of the tax credit or inclusion of dependent care FSA contributions in your taxable income.
- It may be advisable to give each day care provider an IRS Form W-10, Dependent Care Provider's Identification and Certification. The provider should complete the form and return it to you. You should then retain the form in your files. If the day care provider fails to complete the form, compile as much information about the provider as possible.
- You should keep documentation to support all claims.
- You must have a Social Security number for each dependent who is at least one year old, and you must report this number on your federal income tax return. Failure to comply may result in a \$50 penalty each time the number is omitted. For further details and examples, refer to IRS Publication 503 or consult your tax advisor.



## Dependent Care FSA and the Tax Credit — How They Differ

- A Dependent Care FSA applies up to \$7,500 of day care (\$2,500 if you're married and filing separately) provided to one or more of your dependents in any calendar year. If you use a Dependent Care FSA, your tax savings will equal your tax rate multiplied by your total dependent day care expenses (up to \$7,500) paid under the plan.
- You also realize savings on FICA taxes. The FICA tax rate is 7.65% or 6.2% on earnings up to the Social Security wage base for OASDI taxes, and 1.45% on all earnings for Medicare. If your salary after Dependent Care FSA is above the Social Security wage base, you will not realize tax savings on the OASDI component of FICA, but will still realize some savings on the Medicare component.
- The federal tax credit allows you to claim a non-refundable income tax credit for 20% to 35% of certain employment-related dependent day care expenses. The rate of the credit is reduced by 1% for each \$2,000 of your adjusted gross income over \$15,000. (The rate never drops below 20%, however.) Eligible expenses are limited to \$3,000 if your expenses are for one qualifying dependent; \$6,000 if they are for two or more.
- Any amount reimbursed to you from your Dependent Care FSA reduces, dollar for dollar, the expenses eligible for calculating the federal tax credit. Thus, if your expenses are for two qualifying dependents and you are reimbursed for the maximum amount allowable under the Dependent Care FSA (\$7,500), you will still have \$1,000 of expenses eligible for the federal tax credit.

## Dependent Care FSA Advantages

- Budgeting for regular dependent day care expenses is easy. The amount you specify is taken from your paycheck each month or bi-weekly and reimbursed to you after the dependent day care has been provided and you submit a claim.
- Your tax savings are immediate. The amount you contribute to your Dependent Care FSA each month is not taxable, so your taxes are calculated using a lower income. (Your end-of-year tax refund may be lower.)
- Keeping tax records is easy because you record the information on your Dependent Care FSA claim form and keep a copy for yourself. All the dependent day care information you need to complete your federal tax return will be readily available at tax time.
- If you use a Dependent Care FSA exclusively, at the end of the year you don't have to calculate a federal tax credit when you pay your taxes. Your dependent day care tax benefit has been taken into account all year.

## Dependent Care FSA Disadvantages

- Once you sign up, your deduction amount will remain the same all year unless you have an eligible change in your family or employment status.
- During your first month in the program, your costs may be doubled because you may be contributing to your Dependent Care FSA and paying your day care provider without being reimbursed immediately. After the first month, if you file claims monthly, you pay expenses for the current month and are reimbursed for the preceding month's claim.
- You lose any money that remains in your account after the deadline for submitting claims for the plan year. If you overestimate your day care expenses—that is, you contribute more to the program than you can claim—the IRS requires that you forfeit your excess contributions.
- Because your Dependent Care FSA contributions are not subject to FICA tax, your future Social Security benefits could be slightly reduced as a result of your participation.



## Other Important Guidelines

As you plan your expenses, consider these guidelines:

- You cannot use the Dependent Care FSA to pay for care of a qualifying person outside your home unless that person regularly spends at least eight hours per day in your home;
- Your expenses are reimbursable only if the dependent care is provided to make it possible for you, and your spouse if you are married, to work or look for work, or to enable your spouse to attend school full-time;
- You can only be reimbursed for day care delivered from January 1, 2026 through March 15, 2027. You incur expenses when the care is provided rather than when you are billed or when you pay for the care. You will not be reimbursed for expenses until after the care is provided;
- An eligible dependent care expense can be claimed on your income tax return or reimbursed from your FSA—but not both;
- Be sure to anticipate any time when you will not incur dependent day care expenses, such as family vacations, school breaks, etc., or a time when your expenses will change, such as when your child reaches school age; and
- Keep in mind you may only claim dependent day care expenses for children under the age of 13. For example, if your 12-year-old child turns 13 in March, expenses incurred after March will not be reimbursable.

## FILING DEPENDENT CARE FSA CLAIMS FOR REIMBURSEMENT

You may file a claim for reimbursement of expenses from your account after you or your eligible dependent receives the eligible services. You may claim up to the amount you have already contributed to the account at the time your claim is made. Contribution amounts deducted for your account are reported to Inspira Financial monthly on the first business day of the month after the deduction is taken.

### Filing a Claim

After you incur an eligible expense, you have the option of submitting a claim online or completing a paper claim form and mailing or faxing it along with your itemized documentation.

### Submitting a Claim Online:

#### To reimburse yourself:

- Login at InspiraFinancial.com by entering your username and password, then click Submit.
- Click on File a Claim and select Pay Me.
- Enter your claim information: type of expense, date of expense and the amount of expense. To add additional claims, select Add Claim.
- Once you have entered in all of your claims, click Submit.
- Confirm all expense details, then click Submit. If you need to make changes, click Previous.
- Select "Fax" or "Upload" for your document choice. In order to upload your receipts, they will need to be scanned into a PDF format.
- If you selected "Fax," click on Web Claim Coversheet, then print and sign the form. Fax your claim and itemized receipts to (855) 703-5305.
- If you selected "Upload," use the Browse button to upload an electronic document from your computer. To add additional documents, click on Add Additional Documents. After uploading your documents, you must check the Signature box at the bottom of the page to electronically sign your claim. If submitting dependent care claims, please make sure the provider's signature is legible.
- Click Submit. If you enrolled in eNotify, you will receive an email from Inspira Financial notifying you when your claim has been processed.

#### To reimburse a provider:

- Login at InspiraFinancial.com by entering your username and password, then click Submit.
- Click on File a Claim and select Pay Them.
- Enter a new provider or select a payee from your current list and click Next.
- Enter your contact number, statement date, invoice number, patient name and any comments you may have.
- Fill in your claim information and click Next.
- Verify your claim information is correct and click Next.
- Choose to fax or upload your documentation and click Select.
- You will receive a confirmation email from [enotify@InspiraFinancial.com](mailto:enotify@InspiraFinancial.com)

### Submitting a Paper Claim via Mail or Fax

- Login to your account on InspiraFinancial.com and download a claim form.
- Complete the fillable form by entering your claim information.
- Print and sign the form.
- Mail the completed form and itemized receipts to:  
Inspira Financial  
P.O. Box 8396  
Omaha, NE 68108-0396

**(Or)** FAX the completed form along with the itemized receipts to (855) 703-5305.

You can submit claims for 2026 at any time during 2026 and until May 31, 2027. Inspira Financial processes claims daily to ensure prompt reimbursement.

### Federal Form 1040

Amounts you contribute to a Dependent Care FSA will be reported in Box 10 on your W-2 Form. Complete and file an IRS Form 2441 with your federal income tax return.



## CHANGING YOUR DEPENDENT CARE FSA ELECTION

You can always change your contribution during Open Enrollment (usually held in October); changes made during Open Enrollment are effective January 1. You can enroll in the Dependent Care FSA for only one year at a time, so if you do not enroll during Open Enrollment, your participation in the Dependent Care FSA will end on December 31.

Certain changes in your family, day care, or employment status may also provide an opportunity in which you may start or stop participating or change the amount of your Dependent Care FSA contribution during the plan year. Changes in status are identified by Section 125 of the Internal Revenue Code. IRS rules require that changes to participation and/or to contribution amounts during the plan year must be made on account of and consistent with an eligible change in status. An election change is “consistent” if that change is “on account of” and “corresponds” with a change in status event that affects eligibility for coverage with some exceptions that are identified on the chart on page 14.

To request a change, visit [hr.umich.edu/fsa-forms-documents](http://hr.umich.edu/fsa-forms-documents) and download and complete the Dependent Care Flexible Spending Account Request for Change in Status form and return your signed form to the SSC - HR Customer Care.

The chart on page 14 identifies certain eligible events that allow a mid-year change in your Dependent Care FSA and the corresponding election change that may be made. You must contact the Shared Services Center - HR Customer Care within 30 days of the event and be prepared to provide documentation of the change upon request.

The chart on page 15 identifies certain eligible events related to child care.

Changes in deduction amounts will be effective the first day of the month following the receipt of the authorization form or date of eligibility, whichever is later.

## Changes in Your or Your Dependent's Personal Status

## Changes You May Make to your Dependent Care FSA

Your marriage

You may newly enroll or increase your annual election amount to accommodate newly acquired dependents. You may decrease or cancel coverage if your spouse is not employed or has a Dependent Care FSA through their employer.

The loss of your spouse through divorce, annulment, or death

You may newly enroll or increase your election if coverage is lost under spouse's Dependent Care FSA or to take into account the expenses of newly eligible dependent (e.g., due to divorce from non-working spouse). You may decrease or cancel coverage if eligibility is lost (e.g., your dependent now resides with ex-spouse).

Your attainment of a newly eligible dependent through birth, adoption, or placement for adoption

You may newly enroll or increase your annual election amount for newly eligible dependent.

An event by which a dependent becomes your eligible tax exemption (e.g., you are appointed guardian of a minor ward, your parent moves into your home and you will claim as a dependent on your federal income tax return)

You may newly enroll or increase your annual election amount to take into account expenses of affected dependent.

The loss of your dependent through death

You may decrease or cancel election to take into account expenses of affected dependent.

An event by which a dependent ceases to satisfy eligibility requirements (e.g., child becomes 13 years of age)

You may decrease or cancel election to take into account expenses of affected dependent.

## Changes in Your or Your Dependent's Employment Status

## Change You May Make to Your Dependent Care FSA

Change in employment status can affect your eligibility (termination or commencement of employment; strike or lockout; commencement of or return from an unpaid leave of absence)

If you terminate employment or go on an unpaid leave of absence, you may change your election amount or terminate coverage.\* If you return from an unpaid leave of absence, you may start an account or change your election amount.\*

Your spouse commences employment or has another employment event that triggers eligibility to enroll in their employer's Dependent Care FSA plan (e.g., part-time to full-time, returns from a leave of absence)

You may newly enroll (if spouse previously did not work). You may decrease or cancel election provided spouse elects coverage under their employer's Dependent Care FSA plan.

Your spouse terminates employment or has another employment event that causes loss of eligibility under their employer's Dependent Care FSA plan (e.g., full- to part-time)

You may decrease or cancel election if spouse stops working. You may newly enroll or increase your annual election amount to reflect loss of spouse's eligibility under their employer's Dependent Care FSA plan.

\* For further information about coverage during an unpaid leave of absence and termination of employment, refer to "Special Circumstances that May Affect Claims Payment" on page 23.

## Dependent Care Event

## Election Change

Change from one child care center to another, which charges a different rate, for a reason such as:

- concern about a center's administration, staff quality, or staff turnover;
- the center cares only for children age two or over, a new baby arrives and participant wants care for the new baby and the siblings at one center;
- a child is in a temporary center while wait-listed for a preferred center, and a position opens;
- a new, state-of-the-art facility opens and participant enrolls child at the new center;
- a change in participant's residence or work location makes a new center more convenient or results in a change in the cost of coverage of your child care provider;
- a center requires that a child be moved due to the child's unsafe behavior (e.g., biting or hitting) or a parent's frequent late child pickups; or
- a child needs to be moved from a child care center due to chronic illness.

Increase or decrease election amount consistent with change in qualified dependent care expenses. (If the new child care center is more expensive, the election amount may be increased in a corresponding amount.)

Change in a home child care provider, including a change in a nanny-sharing arrangement\*

Increase or decrease election amount consistent with change in cost.

Change in home child care provider because a relative or friend has agreed to watch the child for free

Decrease or cancel election.

Employee or spouse changes work schedules (including to or from part-time status), changing the hours of outside child care required and the amount of eligible dependent care expenses.

Increase or decrease election amount consistent with change in cost.

\* IRS regulations provide that a cost increase by a child care provider who is a relative will not allow an election change.

## YOUR HEALTH CARE FSA

Covers eligible health care expenses not reimbursed by any medical, dental, or vision care plan for you and your eligible dependents.

### Limited Purpose FSA

For 2026, you can contribute a minimum of \$120, and up to a maximum of \$3,300 per calendar year.

The Limited Purpose FSA is just like the Health Care FSA except it can be used only to pay for vision, dental and orthodontic expenses such as dental implants, Invisalign orthodontics, adult braces, prescription sunglasses and LASIK surgery. It cannot be used to pay for health care expenses.

### Important Information About Enrollment:

- If you enroll in the Consumer-Directed Health Plan (CDHP) you can ONLY enroll in the Limited Purpose FSA.
- If you enroll in any other U-M Health Plan you can enroll in the Health Care FSA.
- You can enroll in the Dependent Care FSA regardless of which U-M Health Plan you select.

### Contribution Limits

For 2026, you can allocate an annual contribution of any whole dollar amount from \$120 up to a maximum of \$3,300.

If you enrolled in the plan during Open Enrollment, your plan participation will be effective from January 1 through December 31, 2026. If you are paid monthly, the contribution amount you elected is divided into 12 equal amounts and deducted from each monthly paycheck. If you are paid bi-weekly, your contribution amount is divided into 24 equal amounts. See the “Bi-weekly Payroll Deduction Schedule for FSAs” on page 5 for additional details.

If your enrollment occurs midway through the plan year, the contribution amount you elected will be divided over the number of remaining pay periods that follow your effective date of participation.

### Eligible Expenses

Health care expenses must meet the statutory requirements of IRC §213d. Typically, eligible health care expenses are expenses incurred for medical care. Medical care expenses include amounts paid for the diagnosis, care, mitigation, treatment, or prevention of disease or illness and for treatments affecting any part or function of the body. Please note that the university cannot provide tax advice.

Periodically, the IRS may issue additional guidance or revise its position on eligible expenses under the Code. You are responsible for making sure all expenses submitted for reimbursement are eligible. For more information, refer to IRS Publication 502 at: [irs.gov](https://www.irs.gov) or consult your tax advisor. You can also find information on eligible and ineligible expenses on the Inspira Financial website at [InspiraFinancial.com](https://InspiraFinancial.com).

### Important Points to Remember:

- Eligible expenses must have been incurred for you, your spouse, children, and any other person who is your qualified dependent under the Internal Revenue Code.
- You can only be reimbursed for services incurred from January 1, 2026 through March 15, 2027. You incur expenses when the care is provided, rather than when you are billed or when you pay for the care with the exception of orthodontia (contact Inspira Financial for details on claiming orthodontia expenses). The date you pay for services is not relevant.
- If you enroll mid-year, expenses incurred before your effective date are not eligible.
- Expenses incurred after your participation ends are not eligible.
- Expenses reimbursed under the Health Care FSA may not be deducted on your income tax form.
- Amounts you pay for insurance premiums are not reimbursable under an FSA.

### Examples of eligible expenses include:

- co-payments, co-insurance, and deductibles (but not premiums);
- COVID-19 home test kits;
- Personal protective equipment (PPE), such as face masks, hand sanitizer and sanitizing wipes, are qualified medical expenses if used for the primary purpose of preventing the spread of the COVID-19 coronavirus;
- acupuncture;
- air conditioners, if medically necessary\*;
- automobile equipment to assist the physically disabled;
- birth control pills;
- Braille books and magazines;
- childbirth classes;
- chiropractic visits;
- crutches;
- dental care;
- detoxification or drug abuse centers;
- diabetic supplies;
- expenses that exceed medical, dental, or vision plan limits;
- eye exams, eyeglasses, and contact lenses;
- guide dogs for the visually or hearing impaired;
- hearing aids;

- home diagnostic kit, test or device, such as pregnancy tests and blood pressure monitors;
- household visual alert systems for hearing-impaired persons;
- laser eye surgery;
- mattresses and boards, if medically necessary\*;
- note-takers for a hearing-impaired child in school;
- orthodontia;
- orthopedic shoes;
- over-the-counter (OTC) products are reimbursable from your Health Care FSA, including most OTC drugs and medicines, as well as other health-related items. Download the Inspira Financial mobile app to use the barcode scanner feature to determine if an OTC item is eligible.
- physical exams;
- physical therapy;
- prescription drugs;
- psychotherapy;
- radiation treatments;
- remedial reading\*;
- sterilization surgery;
- transportation expenses related to medical care;
- water fluoridation services\*;
- well-baby and well-child care;
- wheelchairs;
- whirlpool baths\*;
- wigs for hair loss due to a disease\*;
- X-rays.

\* Expenses noted by an asterisk require a doctor's certification indicating the medical disorder, the specific treatment, and how the treatment will alleviate the disorder. In some cases, additional documentation may also be required to validate the expense for reimbursement.

These listings are not intended to be exhaustive. You can obtain information about eligible and ineligible expenses at [InspiraFinancial.com](https://www.inspirafinancial.com), or by calling Inspira Financial Customer Service toll free at: 877-343-1346.

## Examples of Ineligible Expenses

The following expenses are not eligible under any circumstances:

- cosmetic expenses;
- diaper service;
- electrolysis;
- expenses claimed on your income tax return;
- expenses not eligible to be claimed as an income tax deduction;
- expenses reimbursed by other services, such as insurance companies;
- facelifts;
- hair loss treatment, drugs, or transplants;
- health care expenses paid under any medical plan;
- household help, even if recommended by a physician;
- insurance premiums;
- illegal treatments, operations, or drugs;
- late payment fees;
- nonprescription supplements or herbal remedies;
- teeth whitening or bleaching;
- vitamins/nutritional supplements; or
- weight reduction programs for general well-being.

## ESTIMATING YOUR ELIGIBLE HEALTH CARE EXPENSES

You can use the worksheet below to help you determine a contribution amount that is right for you.

For each eligible expense listed, calculate the amount of out-of-pocket expenses you paid last year (out-of-pocket expenses are those not covered by your insurance or your spouse's). If you will have similar expenses

in 2026 or if you plan to incur other expenses, estimate that amount for your current year's estimated expenses.

It's important to plan carefully the amount of money to put in your FSA. IRS rules require that unclaimed money remaining in the account after the May 31, 2027 deadline for filing claims is forfeited. Therefore, careful planning will ensure that you are able to maximize the benefits of your FSA.

Health Care	Previous Year Expenses You Paid	Estimated Expenses You Expect to Pay
Deductibles and Copays	\$	\$
Routine Physical Exams	\$	\$
Physician's Office/Clinic Visits	\$	\$
Dental Care (including copays, fluoride treatments, orthodontia)	\$	\$
Vision Care (exams, eyeglasses, contacts)	\$	\$
Hearing Care/Hearing Aids	\$	\$
Prescription Drugs (including copays)	\$	\$
Over-the-Counter Medications	\$	\$
Immunizations/Well Baby Care	\$	\$
Mental Health Care	\$	\$
X-rays/Laboratory Tests	\$	\$
TOTAL	\$	\$

### Maximize Your Tax Savings

The main benefit of an FSA is the tax savings it offers. An FSA enables you to pay for out-of-pocket expenses with money you set aside before any taxes are taken out. Without an FSA, you would still pay for these expenses, but you would do so using money remaining in your paycheck after federal taxes are withheld.

Annual Savings Example*	With an FSA	Without an FSA
If your taxable income is:	\$ 28,000	\$ 28,000
and you deposit this annual amount into an FSA:	\$ 1,500	\$ 0
your taxable income is now:	\$ 26,500	\$ 28,000
subtract federal and Social Security taxes:	\$ 9,447	\$ 9,982
If you spend after-tax dollars for eligible expenses:	\$ 0	\$ 1,500
Your real spendable income is:	\$ 17,053	\$ 16,518
Your annual tax savings with the FSA is	\$ 535	

\* This example is intended to demonstrate a typical tax savings based on 28% federal and 7.65% FICA taxes. Actual savings will vary based on your individual tax situation. Please consult a tax professional for more information on tax implications of an FSA.

## FILING HEALTH CARE FSA CLAIMS FOR REIMBURSEMENT

You may file a claim for reimbursement only after you or your dependent receives the eligible health care services, even if you paid in advance.

### Filing a Claim

#### Submitting a Claim Online:

##### To reimburse yourself:

- Login at [InspiraFinancial.com](https://www.InspiraFinancial.com) by entering your username and password, then click Submit.
- Click on File a Claim and select Pay Me.
- Enter your claim information: type of expense, date of expense and the amount of expense. To add additional claims, select Add Claim.
- Once you have entered in all of your claims, click Submit.
- Confirm all expense details, then click Submit. If you need to make changes, click Previous.
- Select “Fax” or “Upload” for your document choice. In order to upload your receipts, they will need to be scanned into a PDF format.
- If you selected “Fax,” click on Web Claim Coversheet, then print and sign the form. Fax your claim and itemized receipts to (855) 703-5305.
- If you selected “Upload,” use the Browse button to upload an electronic document from your computer. To add additional documents, click on Add Additional Documents. After uploading your documents, you must check the Signature box at the bottom of the page to electronically sign your claim. If submitting dependent care claims, please make sure the provider’s signature is legible.
- Click Submit. If you enrolled in eNotify, you will receive an email from Inspira Financial notifying you when your claim has been processed.

##### To reimburse a provider:

- Login at [InspiraFinancial.com](https://www.InspiraFinancial.com) by entering your username and password, then click Submit.
- Click on File a Claim and select Pay Them.
- Enter a new provider or select a payee from your current list and click Next.
- Enter your contact number, statement date, invoice number, patient name and any comments you may have.

- Fill in your claim information and click Next.
- Verify your claim information is correct and click Next.
- Choose to fax or upload your documentation and click Select.
- You will receive a confirmation email from [enotify@InspiraFinancial.com](mailto:enotify@InspiraFinancial.com)

#### Submitting a Paper Claim via Mail or Fax

- Login to your account to download a claim form.
- Complete the fillable form by entering your claim information.
- Print and sign the form.
- Mail the completed form and itemized receipts to:  
Inspira Financial  
P.O. Box 8396  
Omaha, NE 68108-0396

**(Or)** FAX the completed form along with the itemized receipts to (855) 703-5305. Inspira Financial processes claims daily to ensure prompt reimbursement. If the expenses are eligible and all necessary documentation has been provided with your claim form, your claim should be paid on a timely basis.


#### Paying for Claims with the Spending Account Card

The Inspira Financial Card lets you pay for purchases directly from your account and reduces the number of claims you have to file.

The spending account card:

- offers easy access to account funds;
- works like a credit card, only the funds are deducted from your FSA;
- updates your account balance and transaction history in real-time.

You will automatically receive the Inspira Financial Card when you newly enroll in the Health Care Flexible Spending Account program.



You may only use the spending account card at establishments that have implemented an Inventory Information Approval System (IIAS). A list of retailers supporting the IIAS infrastructure can be found at [sig-is.org](http://sig-is.org).

If you pay your medical expenses with your Inspira Financial Card, request itemized receipts and save them. Inspira Financial will require this documentation to substantiate your claim. If an itemized receipt cannot be provided, you may be asked to pay back the amount you were reimbursed.

To order additional cards for a spouse or dependent go to [InspiraFinancial.com](http://InspiraFinancial.com). Click on Login, then click on “Manage my debit cards” from the left navigation bar, then select card order.

Spending account cards are not available for dependent care accounts.

### **Other Important Guidelines**

- The Health Care FSA does not replace your insurance plan. You should first submit your claims to your health care, prescription drug, dental, or vision plan for payment according to the plan limits. Remaining out-of-pocket expenses can then be submitted to Inspira Financial for reimbursement.
- You must submit claims yourself; claims submitted by a spouse or other family member will be returned.
- Be sure to submit copies only or keep a copy for your records if you submit original receipts; Inspira Financial does not return bills or receipts.
- Inspira Financial will not accept cancelled checks in lieu of a bill or receipt. Statements showing only previous balances—or the amounts paid or balances due—are not acceptable documentation.
- You must certify on the claim form that your expenses are eligible under the program by signing the form. Inspira Financial will not process a claim if the form does not include your signature.
- With the Health Care FSA, you have access to the total amount you elected for the plan year as soon as eligible expenses are incurred.

## Changing Your Health Care FSA Election

You can always change your contribution during Open Enrollment (usually held in October); changes made during Open Enrollment are effective January 1. You can enroll in the Health Care FSA for only one year at a time, so if you do not enroll during Open Enrollment, your participation in the Health Care FSA will end on December 31.

Certain changes in status may also provide an opportunity in which you may start or stop participating or change the amount of your Health Care FSA contribution during the plan year. Changes in status are identified by Section 125 of the Internal Revenue Code. IRS rules require that changes to participation and/or to contribution amounts during the plan year must be made on account of and consistent with an eligible change in status. An election change is "consistent" if that change is "on account of" and "corresponds" with a change in status event that effects eligibility for coverage.

The chart on page 22 identifies permissible events that allow a mid-year change in your Health Care FSA and the corresponding election change that may be made. You must contact the SSC - HR Customer Care within 30 days of the event and be prepared to provide documentation of the change upon request.

To request a change, visit the Flexible Spending Account Forms and Documents web page and download and complete the Dependent Care Flexible Spending Account Request for Change in Status form, then return your signed form to the SSC - HR Customer Care.

The chart on page 22 identifies permissible events that allow a mid-year change in your Health Care FSA and the corresponding election change that may be made. You must contact the the SSC - HR Customer Care within 30 days of the event and be prepared to provide documentation of the change upon request.

### Important Points to Remember

Changes in deduction amounts will be effective the first day of the month following the receipt of the authorization form or date of eligibility, whichever is later.

The IRS rules that allow mid-year changes in a Health Care FSA are much more restrictive than otherwise permitted for enrollment under a pre-tax health insurance plan or a Dependent Care FSA. While you may be allowed to make changes to other coverage options under some of the following situations, changes to your Health Care FSA are not permissible if:

- you move inside or outside of an HMO service area and change your health insurance option;
- your annual earnings decrease due to a change in your appointment percentage or other job change, and you still remain eligible to participate in the university's Health Care FSA; or
- your anticipated health/dental/vision costs increase or decrease due to unanticipated factors. Some examples include the following situations:
  1. you funded your FSA with an expectation of having LASIK eye surgery and were advised you were not a good candidate for surgery;
  2. you funded your FSA with an expectation of having extensive dental work done. Scheduling issues by your dentist's office resulted in the needed work to be carried over several months, and all of the work could not be completed before the end of the plan year;
  3. you funded your FSA with an expectation of having limited out-of-pocket expenses for the year. Midway through the year, your dependent required outpatient mental health treatment that was only partially covered by your health plan, resulting in significant out-of-pocket expenses; or
  4. you funded your FSA with an expectation of continued use of a particular prescription drug at a fixed copay amount. Your PCP determined it was necessary to change the medication to a drug with a higher copay, or your condition improved and you no longer needed to take the drug.

Due to IRS regulations, you are unable to enroll in the HSA offered with the CDHP if you participate in or have a balance in a Health Care FSA.

These are but a few examples, but they share one common theme the IRS has ruled on: The employee's intent when signing up for the Health Care FSA is not relevant. The Health Care FSA remains available to reimburse out-of-pocket medical expenses and a mid-year change is not allowed under these or any other similar circumstances. Please keep this in mind when deciding how much to contribute to a Health Care FSA. You forfeit any contributions you cannot claim.

## Change in Status Event

## Changes You May Make to Your Health Care FSA

Change in Your Legal Marital Status (marriage; death of spouse; divorce; or annulment)

- If you marry, you may increase your election when a family member is added; or decrease your election if: (i) you, your spouse or dependents become eligible under your new spouse's employer's medical plan; and (ii) your spouse is a participant in their employer's plan, and (iii) coverage for the affected individual becomes effective or is increased under the other employer's plan.
- If you cease to be married, you may decrease your election for the former spouse who loses eligibility. You may enroll in or increase your own election only if you have lost coverage under your former spouse's medical plan.

Change in Number of Your Tax Dependents (birth; death; adoption; or placement for adoption)

- If you gain a dependent, you may enroll in or increase your election for the newly acquired dependent.
- If you lose a dependent, you may decrease your election for the dependent who loses eligibility.

Changes in Employment Status That Affect Eligibility of the Employee, the Employee's Spouse, or the Employee's Dependent (termination or commencement of employment; strike or lockout; commencement of or return from an unpaid leave of absence)

- If you terminate employment or go on an unpaid leave of absence, you may change your election amount or terminate coverage if some other qualifying change in eligibility occurred during the leave.\*
- If you return from unpaid leave of absence, you may start an account or change your election amount if some other qualifying change in eligibility occurred during the leave.\*
- If your spouse terminates employment, or goes on an unpaid leave of absence, you may enroll in or increase your election if your spouse or dependent loses eligibility for participation in their employer's medical plan.
- If your spouse or dependent commences employment or returns from an unpaid leave that triggers a gain in eligibility under his or her employer's plan, you may decrease your election if your spouse or dependent gains eligibility and enrolls in their employer's medical plan.
- For U-M employees enrolled in a Health Care Flexible Spending Account (HCFSA), an increase in hours does not allow you to change your HCFSA.

Dependent Satisfies or Ceases to Satisfy Eligibility Requirements (gain or loss of dependent status as defined by IRC Section 152)

- If your dependent gains eligibility, you may enroll in or increase your election to take into account the expenses of the affected dependent.
- If your dependent ceases to be eligible, you may decrease your election to take into account the ineligibility of the expenses of the affected dependent.

Certain Judgments, Decrees, or Court Orders

- If a judgment, decree, or court order from a divorce, legal separation, annulment, or change in legal custody requires that accident or health coverage for your dependent child (including a dependent foster child) be provided by:
  - you, you may change your Health Care FSA election to provide the child with corresponding coverage.
  - your spouse, former spouse, or other individual, you may change your Health Care FSA election to decrease corresponding coverage for the child if the other individual actually provides the coverage.

Eligibility for Medicare and Medicaid

- If you, your spouse, or your dependent:
  - are enrolled in the university's medical benefit plan, and become entitled to and enrolls in Medicare or Medicaid (other than coverage solely for pediatric vaccines), then for that individual you may decrease your Health Care FSA election, if the Medicare/Medicaid coverage is more comprehensive—or increase it if university coverage was more comprehensive.
  - lose eligibility for Medicare or Medicaid, then for that individual you may increase your election—or decrease it where the university's plan is more comprehensive.

\* Refer to "Special Circumstances That May Affect Claims Payment" on page 23 for further information about coverage during an unpaid leave of absence and termination of employment.

## SPECIAL CIRCUMSTANCES THAT MAY AFFECT FSA CLAIMS PAYMENT

Contact the Shared Services Center - HR Customer Care if you experience one of the following special circumstances:

### Leaves

During periods when you are not receiving a salary from the university, you can contribute to a Health Care FSA, but you cannot contribute to a Dependent Care FSA.

Such periods include:

- a leave of absence (Leave);
- reduction in force (RIF); or
- a leave under the Family Medical Leave Act (FMLA).

Though you can during these periods continue to submit claims for expenses incurred within the appropriate calendar year, the procedures vary depending on the type of account involved.

### Health Care FSA

- You may only receive reimbursements for services incurred during periods when you contribute to the account.
- If you wish to receive reimbursements during a Leave or other period when you are not receiving a salary, you must make after-tax contributions to your Health Care FSA. Reimbursements will be based on the total amount you elect for the year and will be paid upon request.
- When you return from a Leave or RIF to an appointment eligible for benefits within the same year, your monthly or bi-weekly FSA payroll contribution amounts will increase in order to reach your annual contribution amount if you did not cancel your participation at the start of your leave or request a change upon your return if permissible.

### Dependent Care FSA

- You may continue to submit claims for expenses incurred from January 1, 2026 through March 15, 2027.
- The amount of the reimbursements will be subject to the balance in your account. If there are sufficient funds, claims will be honored upon request.
- When you return from a Leave or RIF to an appointment eligible for benefits within the same year, your monthly or bi-weekly FSA payroll contribution amounts will increase in order to reach your annual contribution amount.

### COBRA

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) allows you to continue your Health Care FSA with after-tax contributions even after losing your eligibility to participate (for example, due to termination of your employment).

To submit claims for expenses incurred after you become eligible for COBRA, you must continue your account through COBRA.

A letter explaining your rights and responsibilities under COBRA will be mailed to your home within six weeks after you enroll in university benefits as a new hire or newly eligible faculty or staff member. Please read the letter carefully and keep it with your records for future reference, if necessary. If you do not receive the letter, call the SSC - HR Customer Care.

## RESOURCES FROM INSPIRA FINANCIAL

The university contracts with an external vendor, Inspira Financial, to handle claims processing for its Health Care and Dependent Care Flexible Spending Accounts (FSAs).

### Customer Service

The website: [InspiraFinancial.com](https://InspiraFinancial.com) is designed to provide you with information you may want to know about your flexible spending account(s). Should you need to speak to a customer service representative, call 877-343-1346 from 8 a.m. - 8 p.m. EST, Monday through Friday and 10 a.m. - 3 p.m., EST, Saturday.

### Claims Processing

As you incur health care and/or dependent day care expenses, you may submit a claim for reimbursement online at [InspiraFinancial.com](https://InspiraFinancial.com) via Express Claims or complete a paper claim and fax or mail to Inspira Financial. Your FSA dollars will be used for reimbursement that will be provided by check or direct deposit into your bank account. You may elect to have your reimbursements deposited directly into your checking or savings account, simply by providing your account information online via the Direct Deposit link at [InspiraFinancial.com](https://InspiraFinancial.com).

### Submitting Claims Online

The process for submitting a claim online using Express Claims is quick, easy and always available.

Simply go to [InspiraFinancial.com](https://InspiraFinancial.com), click on Login and enter your username and password, then click Submit. Select Express Claims located on the left navigation bar, then enter your claim information; type of expense, date of expense, and the amount of expense. To add additional claims, select Add Claim. Once you have entered all your claims, click Submit, review your claim information and confirm by clicking Submit. You will have the option to "Fax" or "Upload" your supporting documentation. Uploading your documentation will allow Inspira Financial to process your claim quicker. If you select "Fax," print and sign the form and fax your claim and itemized receipts or Explanation of Benefits (EOB) to 855-703-5305. You will receive an email from Inspira Financial notifying you when your claim has been processed.

### Information Available Online

To check the balance in your account, view transactions, or your claim history, go to [InspiraFinancial.com](https://InspiraFinancial.com), click on Login and enter your username and password, then click Submit. On the accounts page, click Select for the plan year you wish to view. You will be able to access your account balance, as well as claim and transaction history. You will also find the following information online:

- FSA tutorial
- Savings calculator
- Expense planning worksheets
- List of eligible and ineligible expense items
- Frequently asked questions
- Administrative forms and publications
- IRS forms and publications

In addition, Inspira Financial has established partnerships with various online vendors to help you spend your FSA dollars more efficiently. Accessible via the Inspira Financial website, you can buy items such as eyeglasses, contacts, and eligible over-the-counter medication using your Inspira Financial Card, or any other major credit card. When using your own credit card, make sure to keep the receipt from your purchase and submit to Inspira Financial along with a claim form for reimbursement.



## The Inspira Financial Card

The Inspira Financial Card is similar to a debit card because it electronically accesses your health care account to pay for eligible expenses. You can use the card at qualified merchant locations where MasterCard is accepted. The Inspira Financial Card is accepted at health care merchants as well as non-health care merchants who have implemented an inventory information approval system (IIAS). Qualified merchants include physician and dental offices, hospitals, mail order prescription vendors, hearing and vision care providers. The card can also be used at discount stores, grocery stores, and pharmacies, provided the merchant has implemented an IIAS.

It is important you keep all itemized receipts and Explanation of Benefits (EOBs) in the event the information is requested by Inspira Financial to comply with IRS regulations. An itemized receipt includes the date of purchase or service, name of merchant or service provider, description of product or service and amount of purchase.

You will receive a letter from Inspira Financial requesting documentation of an expense, which would require you to submit this information to comply with IRS regulations. The letter identifies the transactions that require substantiation and asks you to provide documentation within 21 days. If substantiation is not received, a second letter is sent reminding you of your responsibility to provide documentation and will give you an additional 21 days to respond. **If documentation is not provided, the Spending Account card will be temporarily inactivated and paper claims will be used to offset outstanding amounts.** You may also elect to repay the plan.

When the card is temporarily inactivated and you log onto Inspira Financial, a pop-up alert will display. In addition, Inspira Financial will send a monthly email reminding you of your current account condition. Note: you must sign up for eNotify in order to receive this or any other email from Inspira Financial.

### Will I receive a new Inspira Card each year?

Your card is valid for at least a three-year period so you may not receive a new card when you re-enroll in the program. Please refer to the expiration date printed on your Inspira Financial Card. A new card will automatically be mailed to you prior to your card's expiration date.

## CLAIM DENIAL AND APPEAL PROCEDURES

If a claim is denied in whole or in part, the claimant will receive an Explanation of Benefits (EOB) form from Inspira Financial. The EOB will include:

- the specific reason(s) for the denial; and
- a description of any additional material or information necessary to perfect the claim and an explanation of why the material or information is necessary.

If a claim for benefits is denied in whole or in part, or if you or your dependents believe that benefits under the Health Care FSA plan to which you are entitled have not been provided, an appeal process is available to you. You, your dependents, or your authorized representative may appeal in writing to Inspira Financial after the denial is received.

## SICK CHILD/EMERGENCY BACKUP CARE PROVIDED THROUGH KIDS KARE AT HOME

### A Service of the Work/Life Resource Center

When you enroll in a Flexible Spending Account (FSA), you may be able to request reimbursements for the amounts you pay for Kids Kare at Home services.

Kids Kare at Home, a service offered to University of Michigan families through the Work/Life Resource Center, provides sick or emergency backup care in the child's own home. Kids Kare at Home is available for children ages 13 and under, or for older children with special needs who cannot be left alone.

To use the Kids Kare at Home service, you must register through the Work/Life Resource Center, which has contracted with a home health care agency that has provided this service to southeastern Michigan since 1982. The caregivers are carefully screened and are trained in childhood illnesses, child development, and CPR. The agency is bonded, and all caregivers have had criminal background checks.

You are eligible to utilize Kids Kare at Home if you are a:

- regular faculty or staff member at the Ann Arbor, Dearborn or Flint campus; or
- graduate or undergraduate student enrolled at least half time at the Ann Arbor campus.

Temporary employees and staff members who do not have at least a half-time appointment are not eligible.

Each family can use a maximum of 48 hours of service during each 12-month period, and there is a four-hour minimum charge each time you use the service. The university partially subsidizes the cost of the program. You may pay privately for additional hours, if needed, by making arrangements directly with the agency. Anything beyond the initial 48 hours will be billed at the unsubsidized rate.

To register for Kids Kare at Home, or to obtain additional information, call the Work/Life Resource Center at: 734-936-8677 or visit us online at: [hr.umich.edu/worklife/kidskare/](http://hr.umich.edu/worklife/kidskare/)



**Published by  
Benefits Office**

University of Michigan  
Wolverine Tower – Low Rise G405  
3003 South State Street  
Ann Arbor, MI 48109-1278

PHONE 734-615-2000 or  
866-647-7657 (toll-free for off campus  
long-distance calling)

FAX 734-763-0363

WEB [hr.umich.edu/benefits-wellness](http://hr.umich.edu/benefits-wellness)

**SSC - HR Customer Care**

Representatives are available by phone Monday-Friday,  
8 a.m. - 1 p.m. and 1 - 2 p.m., 734-615-2000 locally, or  
866-647-7657 (toll-free for off-campus long-distance  
calling).

**The Benefits Office is a unit of University Human  
Resources.**

**Richard S. Holcomb Jr.**

Associate Vice President for Human Resources

**Brian Vasher**

Assistant Vice President for Benefits and Well-being  
Programs

**Kent Seckinger**

Senior Director for Benefits

**Regents of the University of Michigan:**

Jordan B. Acker  
Michael J. Behm  
Mark J. Bernstein  
Paul W. Brown  
Sarah Hubbard  
Denise Ilitch  
Carl J. Meyers  
Katherine E. White  
Santa J. Ono (*ex officio*)

**Statement of Non-discrimination**

The University of Michigan, including the Ann Arbor, Dearborn, Flint campuses as well as Michigan Medicine, as an equal opportunity employer, complies with all applicable federal and state laws regarding nondiscrimination. The University of Michigan is committed to a policy of equal opportunity for all persons and does not discriminate on the basis of race, color, national origin, age, marital status, sex, sexual orientation, gender identity, gender expression, disability, religion, height, weight, or veteran status in employment, educational programs and activities, and admissions.

Inquiries or complaints may be addressed to the Equity, Civil Rights and Title IX Office (ECRT), 2072 Administrative Services Building, Ann Arbor, Michigan 48109-1432, 734-763-0235, TTY 734-647-1388.

© 2026 Regents of the University of Michigan

The information in this book is effective January 1 - December 31, 2026.