

Grace Period FAQ — Participants

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What is a grace period in reference to my Flexible Spending Account (FSA)?

A grace period allows employees to access their total available balance from the prior plan year for claims incurred during the prior plan year and the grace period. This gives employees the opportunity to maximize their FSA funds and avoid losing money through the IRS “use-or-lose” rule.

When does the grace period begin?

The grace period begins on the first day immediately following the last day of your plan year. In most cases, it ends two months and 15 days later. For instance, if your plan ended on December 31st of this year, your grace period would begin on January 1st of next year.

Is there a limit to how much of your balance is available during the grace period?

No, your entire balance is available during the grace period for eligible dates of service.

What happens to my FSA funds if I don’t use them during the grace period?

If none or only a portion of the prior year funds are reimbursed, the remaining funds are forfeited to the plan after the close of the run-out period.

What is a run-out period and how does it work?

A run-out period is a predetermined timeframe after the plan year ends in which you may file claims for expenses incurred during the prior plan year and the grace period. IRS rules state that when the run-out period is over, you forfeit any unused funds from the prior year.

Which funds are used during the grace period?

If the service date is during the grace period, the funds remaining from your prior plan year are used first if the expense is from a service used during the grace period. Once your prior plan year balance is depleted, funds available in the new plan year, if elected, become available.

If I have the Discovery Benefits debit card, how does that work with the grace period?

The debit card will continue to work as normal, using the funds remaining in your prior plan year first.

For any other questions about your FSA grace period, please call or chat online with our Participant Services team.

Hours of Operation	6 a.m. to 9 p.m. CST (M-F)
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