

Reduce Health Care Costs with FSAs and Debit Cards

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In today's economic times, employers are challenged with finding ways to offset rising health care costs and still enhance their benefit plans without passing costs on to their employees. Many of them are choosing a Flexible Spending Account (FSA) as a way to do this. An FSA is a tax saving strategy for both employers and employees. It allows employees to fund eligible medical and dependent care expenses with pre-tax dollars. It lowers employees' taxable income and increases their take home pay. Employers benefit from the payroll tax savings which in many cases can easily cover the administrative costs. The FSA also has a debit card option which is a great benefit to both employers and employees. The debit card encourages participation in the plan and saves employers even more tax dollars. Employees like the debit card because they can enjoy the convenience of having immediate access to their funds and eliminate most out-of-pocket expenditures.

The use of debit cards continues to increase dramatically. This year, the IRS required merchants to adopt technology called Inventory Information Approval Systems (IIAS). The IIAS significantly increases the auto substantiation rate with the debit card which means that purchases will be automatically approved at the point of purchase. This efficiency in technology makes the debit card increasingly popular.