

# Your Flexible Spending Arrangement Enrollment Guide

**Save up to 40% on your eligible expenses!**

*USE **PRE-TAX** DOLLARS TO PAY FOR DAY CARE  
AND OUT-OF- POCKET MEDICAL EXPENSES*



Figuring out your benefits can be confusing....

We'll help you put the puzzle together!

**VISIT US ON THE WEB**

[www.flex-plan.com](http://www.flex-plan.com)

**CALL US**

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# OVERVIEW



A Flexible Spending Arrangement (FSA) enables you to set aside money on a pre-tax basis to pay for your out-of-pocket health and day care costs. There are three components to your plan:

**Premium Conversion** allows you to take pretax deductions for your company-sponsored benefits from your paycheck to be paid to the insurance carrier.

**Health Care FSA** reimburses out-of-pocket health care expenses for you and your dependents.

**Day Care FSA** reimburses day care expenses for your dependent child or elder care expenses.

## TAXES 101

Before we go into the details of how an FSA works, here's a quick introduction to how taxes work.

The federal government takes about 30% of each dollar that you earn in FICA and federal income tax, and you take home the remaining 70% to use for your living expenses.

With an FSA, you can set aside money from your paycheck, before the federal government takes their 30%, to pay for medical and day care expenses.

Let's look at an example of how you save:

Employees A and B both earn \$35,000 per year after exemptions and standard deductions. They both also pay \$2,400 per year for medical expenses.

<i>Employee A</i>		<i>Employee B</i>	
35,000	Gross Pay	35,000	Gross Pay
<u>-7,092.5</u>	Taxes	<u>-2,400</u>	Medical Costs
27,908		32,600	
<u>-2,400</u>	Medical Costs	<u>-6,548.9</u>	Taxes
25,508	Net Pay	26,051.10	Net Pay
<b>\$2,125.66 Monthly Pay</b>		<b>\$2,170.93 Monthly Pay</b>	
<b><i>Without FSA</i></b>		<b><i>With FSA</i></b>	

**Curious about how much you could save? Please consult our web site at [www.flex-plan.com](http://www.flex-plan.com) to use our tax savings calculator. The password is purple81.**

**Employee B saves \$45.27 per month using an FSA — that's over \$543.24 per year in savings!**

## TAX RATES

The federal income tax rates change on a yearly basis. In addition to federal income tax, you may also have a state income tax. FSA deductions are exempt from FICA, and federal income tax. Although each state differs, deductions are typically exempt from most state and local taxes as well.

## HOW DOES IT WORK?

- During your employer's open enrollment period estimate your expenses for the plan year and enroll in an FSA for that amount.
- Your election will be deducted from your paycheck throughout the plan year pre-tax, so you don't pay FICA (7.65%), federal income tax (10-35%) (and possibly state & local taxes) on your elected dollars. This may reduce your Social Security benefits due to decreased contributions. If you have questions regarding how this will affect your Social Security benefits, please contact the Social Security Administration.
- You cannot change your election after the plan year starts unless you experience a **Qualifying Event**. Common qualifying events include birth, death, adoption, marriage or divorce. Your election change must be consistent with the qualifying event.
- You must claim all elected funds by the end of the run-out period. Money left in the plan after the end of the run-out period cannot be refunded to you; this is referred to as the **Use-it or Lose-it** rule.

## HOW DO I GET REIMBURSED?

- Complete and sign a claim form. Include documentation for your expenses.
  - The documentation must show the **date of service(s), cost, and the type(s) of expense** you are claiming. Bills from your providers or statements from your insurance company are perfect forms of documentation. **Do not submit copies of cancelled checks, credit or debit card receipts.**
  - Expenses must be incurred during the plan year and while you are an active participant in the plan.
  - Any expense incurred prior to your effective date in the plan cannot be reimbursed.
  - An Expense is incurred when the medical care is provided or the eligible item is purchased – not when you are formally billed, charged, or pay for the medical care.
- Submit the claim and documentation to Flex-Plan Services via email, fax, or mail.

Your claim will be processed within a few days and a reimbursement will be issued according to your employer's reimbursement schedule. Specific information regarding your reimbursement schedule and method will be sent with the enrollment confirmation after your election has been processed.

## FLEX-PLAN.COM

Benefit statements are no longer mailed. We have updated our website offering access to your benefit as well as providing other useful tools and information:

- Research eligible expenses
- Obtain forms
- View general information about FSAs
- Use the Tax Savings Calculator

Once you are enrolled in the plan, you can register and view your personal plan info.

# HEALTH CARE FSA

The Health Care FSA (HCFSA) is a **pre-funded** benefit. This means you have access to your full annual election amount at any time during the plan year—regardless of how much you have contributed. Think of the HCFSA as a tax-free, interest-free loan to help you pay for those larger medical expenses, and as a savings tool for all your regular medical expenses throughout the plan year.

## TIPS

Estimating future expenses is an important step as you prepare to enroll in an FSA. The more accurate you are in estimating your expenses the better the plan will work for you. Here are some tips:

- Look in your medicine cabinet.
- Request a patient ledger from your pharmacy of your prior year’s prescriptions.
- Request an annual statement from your insurance company.

After you locate these documents, take into account that the HCFSA will reimburse expenses for your spouse and dependent(s), even if not covered by your employer’s insurance plan.

Health Care Expense Estimation Worksheet (see the reverse for a detailed list of eligible items)	
Chiropractic Visits	\$
Dental Care (routine checkups, fillings, etc.); Orthodontics*	\$
Eye Care: Exams, prescription glasses, contacts, solutions*	\$
Laser Eye Surgery and procedures*	\$
Insurance Copays and Deductibles	\$
Over-the-Counter Items	\$
Prescription drugs	\$
Routine Exams	\$
Additional Eligible Expenses	\$
Annual Total	\$

\*Limited HCFSA typically only reimburses vision, dental and orthodontia expenses. Please see your Summary Plan Description for details.



## WHAT HAPPENS IF I TERMINATE EMPLOYMENT?

If you cease employment during the plan year, you have some options. Consult your employer upon termination for more information, as each plan is different.

- **STOP** – Your final paycheck will have the normal deduction and your participation will cease. You may be reimbursed only for services incurred on or before the termination date.
- **ACCELERATE** – You can authorize your employer to take future deductions from your final paycheck. This final deduction will be pre-tax and you can participate in the plan to the extent contributions are made.
- **COBRA** – Under certain circumstances, you may be eligible to continue participation on an after-tax basis through COBRA.

## ORTHODONTIA

Unlike other HCFSA expenses which are deemed incurred when the services are rendered, orthodontia expenses are deemed incurred when paid. Therefore, only payments made during your eligibility period and plan year may be reimbursed. Proof of payment to an orthodontic provider is required for reimbursement. Payments made toward orthodontia in a previous plan year or before your eligibility period are not reimbursable.

## STOCKPILING

IRS regulations prohibit you from purchasing an unusually large quantity of any item in any one transaction. It would be reasonable if you purchased two or three of the same item, but anything over three items would be considered stockpiling and will not be reimbursed.

# WHAT'S ELIGIBLE?

A Health Care FSA covers a wide variety of expenses. We've assembled an extensive list of common expenses that are eligible for reimbursement. Not all eligible items are on this list. For a more exhaustive list, visit our website at [www.flex-plan.com](http://www.flex-plan.com).

## ELIGIBLE HEALTH CARE EXPENSES

Acupuncture	Contacts & solutions	Immunizations	Physical therapy
Allergy medication	Contraceptives	Incontinence supplies	Pregnancy test
Antacids	Copays	Individual counseling	Prenatal vitamins
Anti diarrheal	CPAP machine	Insect bite treatment	Prescription drugs
Antibiotic ointment	Crutches	Lab work	Prescription glasses
Antifungal foot cream	Deductibles	Lactose intolerance pills	Reading glasses
Anti-gas medication	Dental services	Laser eye surgery	Saline Nasal Spray
Anti-itch cream/gel	Diabetic supplies	Laxative	Sleep deprivation treatment
Antiseptic	Diaper rash ointment	Lice treatment products	Smoking cessation programs
Asthma treatment	Drug addiction treatment	Medical testing devices	Speech therapy
Bandages	Ear Wax Removal Kits	Medical records	Sterilization procedures
Birthing classes or Lamaze	Eye drops	Motion Sickness Relief	Stool softener
Blood pressure monitor	Eye exams	Nasal strips	Thermometer
Braces (knee, ankle, wrist)	Fertility monitor	Naturopathic Visits	Throat lozenges
Burn cream	Fertility treatment	Optometrist services	Vaccinations
Chiropractic services	First aid supplies	Orthodontia	Vision Therapy
Coinsurance	Flu shots	Orthotics	Walker
Cold / hot pack	Hearing aids & supplies	Oxygen and equipment	Wart treatment
Cold Sore Treatment	Hemorrhoid medication	Pain relievers	Wheelchair & repair
Cold/cough medication	Hormone therapy	Parasitic treatment	X-rays
Compression Stockings	Hospital fees	Physical exams	Yeast infection treatment

## INELIGIBLE HEALTH CARE EXPENSES

The following expenses are **not** eligible under a Health Care FSA. Under no circumstances will the following items be reimbursed. Please do not submit claims for these items.

Airborne	Finance charges	Imported OTC items	Mattress
Books	Funeral expenses	Imported prescriptions	Missed appointment fee
Boutique practice fees	Gender reassignment	Insurance premiums	Hair growth products
COBRA premiums	Hair transplant	Late fees	Electric toothbrush/picks
College insurance	Health club dues	Liposuction	Teeth whitening
CPR Classes	Household help	Marijuana	Toiletries
Electrolysis/Laser hair removal	Hygiene products	Marriage counseling	Veneers
Face Lift	Illegal operations or substances	Massage Chair	Warranties

## ADDITIONAL DOCUMENTATION REQUIRED

Certain medical expenses are not reimbursable under a Health Care FSA unless a licensed health care practitioner states that the service or product is medically necessary. Flex-Plan will need a Letter of Medical Necessity (LMN) for these items to be reimbursed. The LMN is available on our website. Please note that certain expenses may require additional documentation to be reimbursed.

Acne treatment	Cosmetic procedures	Lactation consultant	Retin-A
Air conditioner	Dancing & swimming lessons	Learning disability fees	Special foods
Air purifier	Ear plugs	Lumbar support	Special schools
Anesthesia	Exercise equipment	Massage therapy	Sunscreen (under SPF 45)
Automobile modifications	Fluoridation device	Mole removal	Varicose vein treatment
Braille Books	Genetic testing	Motorized Scooter	Vitamins and supplements
Breast Augmentation	Home medical equipment	Naturopathic medicines	Weight loss programs
Breast pump	Humidifiers	Nutritionist expenses	Wig
Breast Reduction	Hypoallergenic linens	Personal trainer	

# THE BENNY™ DEBIT CARD

## DON'T WAIT FOR REIMBURSEMENT

Rather than paying out of pocket then submitting your claim for reimbursement, you can use the Benny™ Debit Card to pay your provider directly for qualified medical care expenses.

## VALID MERCHANTS

The card is accepted at any Inventory Information Approval System (IIAS) participating merchants and medical care merchants using the MasterCard® system. This includes:

- Doctor Offices
- Dental / Vision Clinics
- Hospitals
- Mail Order Rx Programs
- Pharmacies and grocery stores\*

\* Merchants that have implemented IIAS recognize when participants purchase FSA-Eligible expenses. When you purchase items at these merchants you will not be required to substantiate your expense. You can locate IIAS Participating Retailers at [www.flex-plan.com/news.aspx](http://www.flex-plan.com/news.aspx) under Benny Debit Card Information.

Each time you swipe your Benny™ Debit Card, the provider is paid on your behalf and the amount is deducted from your HCFSA balance. When you swipe your card for a copay or at an IIAS retailer, you will not be required to substantiate your charge. However, IRS regulations require you to substantiate certain expenses, so we have made it simple for you to comply with this requirement.

If any of your Benny™ Debit Card charges require substantiation, you will receive a monthly summary of your card activity for those charges. This form is e-mailed to you at the beginning of each month. You may view a sample of this form on our website.



## ADDITIONAL CARDS

You will receive two cards upon initial enrollment. If you require additional cards, or if your cards are lost or stolen, there is a \$10 reissue fee, which is deducted from your HCFSA balance.

## CURRENT BENNY™ DEBIT CARD HOLDERS

You must elect the card for **each year** you wish to use the card. New cards will not be sent each year; instead the new plan year funds will be loaded to your **existing** cards once enrollment has been processed

## GRACE PERIOD and the BENNY CARD

The card will only debit from your current plan year election. If your plan includes the grace period, you must submit manual claims to access the prior year balance when making purchases during the grace period.

## SAVE YOUR RECEIPTS!

While most of your Benny™ Debit Card purchases will not require substantiation, we recommend you always save your receipts and documentation.

# DAY CARE FSA

Child care is one of the single largest expenses for a family with children. A Day Care FSA (DCFSA) can be used to pay for your qualified day care expenses with pre-tax dollars. The provider can be a licensed day care facility or an individual.

## WHAT ARE THE RULES?

There are some rules to consider before enrolling in a DCFSA:

- A DCFSA works like a bank account. The reimbursement cannot exceed the account balance.
- The day care expense must enable you and your spouse to work, actively look for work, or be a full-time student.
- Your dependent must live with you and must be 12 years old or younger. A dependent age 13 or older can be eligible if the dependent cannot physically or mentally care for him/herself.
- The day care provider cannot be a parent of the child, a dependent on your tax return or your child under the age of 19.

## CALCULATING YOUR ELECTION

The DCFSA limit is set by the IRS and is a calendar year limit of **\$5,000 per household**. If your plan year is not on a calendar year, take extra care in calculating your annual election.

Day Care Expenses Estimation Worksheet	
Before/After School Care	\$
Elder Day Care	\$
Pre-School	\$
Day Care, including summer day camp fees	\$
Annual Total	\$

Some types of expenses are **not** eligible. These include tuition for school at the kindergarten level or above, overnight camp, nursing home expenses, meals, activity/supply fees and transportation costs. Montessori tuition for kindergarten and elementary school is not allowable; however, charges from a Montessori school for preschool or before and after school care are allowable.



## FSA OR CHILD CARE TAX CREDIT?

Wondering if a DCFSA is better for you than the child care tax credit?

Visit our website at [www.flex-plan.com](http://www.flex-plan.com) and click the link "Tax savings calculator" to use an interactive tax calculator. (Password: purple81)

NOTE: Whether you choose to participate in the DCFSA or take the child care tax credit, you must file form 2441 with your taxes.

## CHANGES

Similar to other benefits, you can only change your election if you experience a qualifying event. However, In addition to the normal list of qualifying events, there are some special events exclusive to the DCFSA:

- A change in your day care costs, such as a rate decrease or increase, or receiving free day care.
- A change in your need for day care (your spouse loses employment or has a change in work schedule).
- Your dependent ceases to satisfy the eligibility requirements.

## WHAT HAPPENS IF I TERMINATE EMPLOYMENT?

If you terminate employment during the plan year, you can still access the funds in your DCFSA through the end of the plan year (even if the dates of service are after your termination date), as long as the care allows you to look for work or work full time.