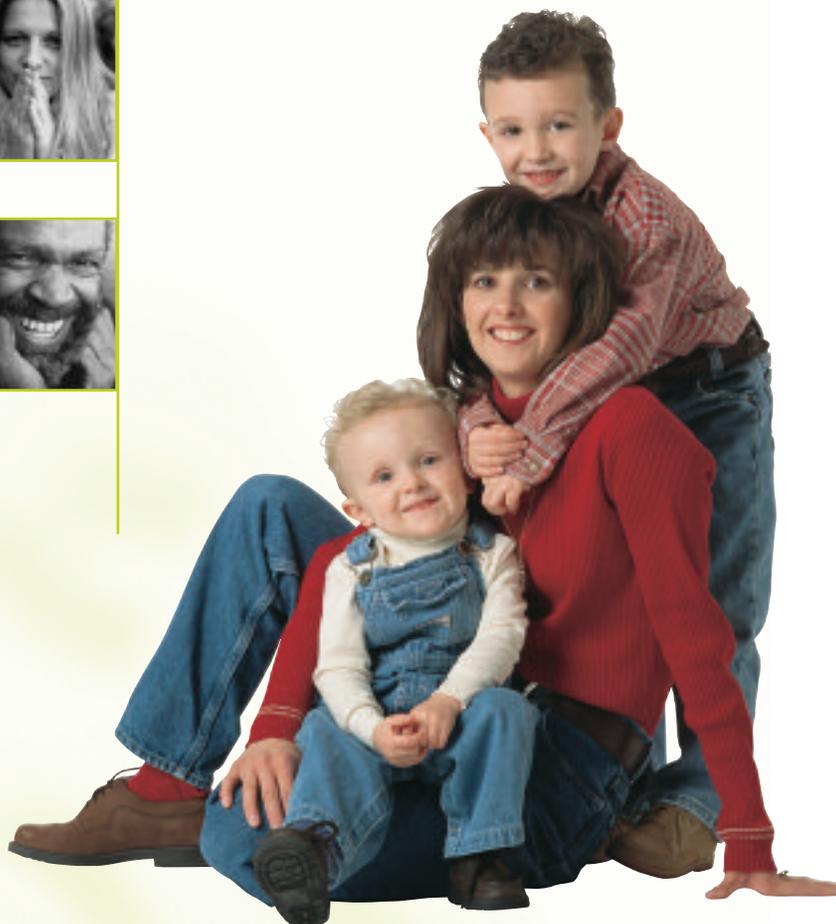


**flexplan**<sup>SM</sup>  
*for your benefit*



## Flexible Spending Account Overview



CORNERSTONE  
ADMINISTRATIVE  
SERVICES, LLC

FSA with Debit Card  
Medical Reimbursement Account  
Dependent Care Reimbursement Account

# flexplan<sup>SM</sup>

for your benefit

## WHAT IS A FLEXPLAN?

A FlexPlan is a Flexible Spending Account (FSA) Plan that is offered through your employer and administered by Cornerstone. A FlexPlan is one of the most valuable benefits your employer can offer. A FlexPlan provides you with the opportunity to withhold pre-tax dollars from your paycheck to pay for qualified, health related and dependent care expenses.

## HOW THE PLAN WORKS

Participating in the FlexPlan is easy. You decide how much to contribute and whether to participate in the Healthcare FSA, Dependent Care FSA, or both. A worksheet has been provided for you to help you to estimate your expenses. Your election amount should conservatively match your estimated expenses for the plan year. Refer to the examples on the right to see how quickly the out-of-pocket expenses can add up.

As you incur expenses covered by the FlexPlan, you simply complete and submit a claim form to Cornerstone. As your plan administrator, Cornerstone will adjudicate the claim and issue a reimbursement check. You can always find out more information by calling one of Cornerstone's team members at 800.720.4460 or visit our website at [www.teamcornerstone.com](http://www.teamcornerstone.com).

## THE FLEXPLAN ADVANTAGE

With the FlexPlan, during each pay period, a portion of your annual election amount will be deducted from your gross pay and transferred into your Flexible Spending Account. The money you deposit in your accounts is automatically deducted from your gross pay prior to calculating federal and Social Security (FICA) taxes. Your account deposits are not considered current taxable income and therefore do not appear on your W-2 form as taxable income. Since your taxable income is reduced, so are your annual taxes.



*"Faced with soaring healthcare bills, companies are shifting more of the costs to workers. One way to ease the burden is by signing up for a flexible spending account. Money in a flex spending account is exempt from federal, state and payroll taxes. Using pre-tax dollars can slash your out-of-pocket cost by a third or more."*

— USA TODAY



## USING YOUR FLEXPLAN DEBIT CARD

The FlexPlan debit card is a special, prepaid debit card to be used exclusively with your Cornerstone FlexPlan Account. The debit card can be used at any qualified merchant that accepts Mastercard. The card will work at doctor's offices, hospitals, pharmacies, opticians and optometrists, chiropractors and other healthcare providers. The card will also work with day care providers that offer Mastercard as a means for payment. The card will not work at restaurants, retail stores, gas stations, etc. Retain this receipt, as it may be requested.

Simply present the FlexPlan debit card at the time of payment and select credit at the register. This card does not require a PIN, only your signature to make qualified purchases. The provider will be paid and your account balance will be automatically adjusted.

By using the FlexPlan debit card, you save time and reduce paperwork. There is no longer a need to pay for your qualified expenses and wait for a reimbursement check to come in the mail. Simply use your FlexPlan debit card for all of your qualified FlexPlan expenses.

If the provider does not accept Mastercard debit cards, simply use another form of payment and submit a claim form along with your receipt(s) to Cornerstone for reimbursement. Claim forms can be obtained at [www.teamcornerstone.com](http://www.teamcornerstone.com) and faxed toll-free to Cornerstone at 866-878-2800..

## IMPORTANT DEBIT CARD INFORMATION

You will automatically receive one FlexPlan debit card in your name when you enroll. It will be mailed directly to your home. You should allow up to 30 days from the beginning of the plan year to receive the card.

Included with your card will be further information that explains how to use the card and the Terms of Use.

## REMEMBER . . . YOU NEED TO PROVIDE DOCUMENTATION

The debit card is a great advance for FlexPlan accounts, however, the IRS requires that you keep all receipts for FlexPlan debit card transactions. The IRS requires Cornerstone, the third party administrator, to verify all transactions on the card that are not your standard health plan co-payment amounts, or verified by a

Female, Age 30 and unmarried			
MEDICAL RELATED EXPENSES		TAX SAVINGS WITH FLEXPLAN	
Co-pays for Doctor Visits	\$235	Healthcare FSA Expenses	\$1240
Optician Visit	\$125	Marginal Tax Rate	28%
Contact Lenses (Solutions)	\$375		
Dental Visits	\$250		
Prescription Co-pays	\$255		
<b>Total Eligible Expenses</b>	<b>\$1240</b>	<b>Estimated Tax Savings</b>	<b>\$347.20</b>

Married couple, Age 38 & 40 with 2 children ages 5 & 9			
MEDICAL RELATED EXPENSES		TAX SAVINGS WITH FLEXPLAN	
Co-pays for Doctor Visits	\$635	Healthcare FSA Expenses	\$2340
Optician Visits	\$225	Dependent Care Expenses	\$5000
New Eyeglasses	\$425	Total Expenses	\$7340
Dental Cost for Root Canal	\$400	Marginal Tax Rate	33%
Prescription Co-pays	\$655		
<b>Total Eligible Expenses</b>	<b>\$2340</b>	<b>Estimated Tax Savings</b>	<b>\$2422.22</b>
DEPENDENT CARE RELATED EXPENSES			
Children are in daycare while their parents are at work. The annual cost for this care exceeds <b>\$5000</b> .			

Married couple, Age 60 & 64, no children			
MEDICAL RELATED EXPENSES		TAX SAVINGS WITH FLEXPLAN	
Co-pays for Doctor Visits	\$335	Healthcare FSA Expenses	\$1395
Optician Visits	\$125	Dependent Care Expenses	\$3600
Dental Costs	\$350	Total Expenses	\$4995
Prescription Co-pays	\$585	Marginal Tax Rate	39%
<b>Total Eligible Expenses</b>	<b>\$1395</b>	<b>Estimated Tax Savings</b>	<b>\$1948.05</b>
DEPENDENT CARE RELATED EXPENSES			
The annual cost for in-home care is <b>\$3600</b> .			



vendor using the IIAS System. The IIAS system allows merchants to identify the UPC codes for eligible items commonly purchased, and take payment only for those approved items off your FSA debit card. Non-eligible items will automatically be restricted for the card, and alternate payment will be requested at the point of sale. When items are purchased from a merchant using the IIAS system, Cornerstone will not need to request verification for your purchase. Cornerstone will request copies of the receipts that are needed to adjudicate your claims.

## MEDICAL CARE REIMBURSEMENT ACCOUNT

Having a Medical Care Reimbursement Account gives you the opportunity through payroll deduction to be reimbursed tax-free, up to the employer's annual maximum for health care expenses not covered or not fully paid by medical or dental plans. These expenses may include deductibles, co-insurance payments, dental services, eyeglasses, contact lenses and solutions. A listing of these expenses is included for your review, while not intended to be complete, this list illustrates health care expenses that may be claimed as part of the plan.

## DEPENDENT CARE REIMBURSEMENT ACCOUNT

A FlexPlan Dependent Care Reimbursement Account gives you the opportunity to pay for the first \$5,000 of employment-related dependent care expenses tax free. The rules for eligibility are the same as those for Child and Dependent Care Credit outlined in IRS Publication 503. This includes children under 13 as well as

adults incapable of self-care that are claimed as dependents.

### Eligible Dependent Care Expenses Include:

- Payments made for services provided in your home as long as services are not provided by someone you also claim as a dependent, or your other children under age 19.
- Payments made for dependent care services outside your home.
- If a dependent care center (*caring for six or more children*) is used, it must be in compliance with state and local law.
- Summer day camps.
- Before & after school programs.

### Maximum Contribution to Dependent Care Reimbursement Account is:

- \$5,000 if married filing jointly or single and head of the household.
- \$2,500 if married filing separately.
- The lower of your earned income or your spouse's earned income. If your spouse is a full time student or disabled, special rules apply.

## IMPORTANT CONSIDERATIONS

### Election Changes

You can only change the amount of your payroll deduction at the beginning of each plan year unless one of the following events occur:

- Marriage
- Divorce
- Birth or Adoption
- Death in Immediate Family
- Change in Employment Status of Employee or Spouse



### Use-It-Or-Lose-It Rule

The IRS allows your employer to offer this tax advantage through the Employee Reimbursement Accounts, but does have several imposed restrictions. IRS regulations require that all money contributed to the FlexPlan, both for your Dependent Care Accounts and Medical Reimbursement Accounts, may only be used to reimburse qualified expenses incurred during the plan year. Money not used to reimburse eligible expenses is forfeited.

The unused portion of a flexible spending account may not be paid to participants in cash or other benefits, including transferring money between flexible spending accounts. For this reason, it is critical for you to consider your annual out-of-pocket expenses carefully. Generally, accounts should be used for predictable expenses. Reference your records from last year when completing the attached work-sheet to help determine how much of your income should be deposited through your payroll deduction. Choose a conservative election amount to reduce the risk of forfeiture.

In May of 2005, the IRS began offering employers the choice to allow a 2 1/2 month extension to spend Flex elections. This may be offered by your employer.

You cannot pay for services through a reimbursement account and also take the tax advantage available for those same services at income tax time. In other words, if you pay for medical expenses through a FlexPlan account, you cannot also itemize those expenses as deductions on your tax return.





## QUALIFYING MEDICAL & DENTAL CARE EXPENSES

Under the Plan, you will be reimbursed only for medical and dental expenses. They include, for example, expenses you have incurred for:

1. Co-pays and deductibles for medical and mental health services.
2. Medicine or drugs treating a medical condition, birth control pills and vaccines.
3. Medical doctors, dentists, eye doctors, chiropractors, osteopaths, podiatrists, psychiatrists, psychologists, physical therapists, acupuncturists and psychoanalysts (medical care only).
4. Medical examination, X ray and laboratory services, insulin treatment and whirlpool baths the doctor prescribed.
5. Nursing help. If you pay someone to do both nursing and housework, you can be reimbursed only for the cost of the nursing help.
6. Hospital care (including meals and lodging), clinic costs and lab fees.
7. Medical treatment at a center for substance abuse.
8. Medical aids such as hearing aids (and batteries), false teeth, eyeglasses, contact lenses, braces, orthopedic shoes, crutches, wheelchairs, guide dogs and the cost of maintaining them.
9. Ambulance service and other travel costs to get medical care. If you used your own car, you can claim what you spent for gas and oil to go to and from the place you received the care; or you can claim 19 cents per mile. Add parking and tolls to the amount you claim under either method.

## YOU CANNOT OBTAIN REIMBURSEMENT FOR:

1. The basic cost of Medicare insurance (Medicare A).
2. Life insurance or income protection policies.
3. Accident or health insurance for you or members of your family.
4. The hospital insurance benefits tax withheld from your pay as part of the Social Security tax or paid as part of Social Security self employment tax.
5. Nursing care for a healthy baby.
6. Illegal operations or drugs.
7. Travel your doctor told you to take for rest or change.
8. Cosmetic Surgery.
9. Long-term care expenses.

Qualifying medical expenses include only those expenses incurred for:

1. Yourself.
2. Your spouse.
3. All dependents you list on your federal tax return.

**IRS Publication 502**, Medical and Dental Expenses, has a checklist of most of the medical expenses that can be deducted and are therefore reimbursed under this Plan. Some other medical expenses are also reimbursable. However, regardless of any statements in Publication 502 to the contrary, expenses under this Plan are treated as being "incurred" when you are provided with the care that gives rise to the expenses, not when you are formally billed or charged, or you pay for the medical care. Also, no reimbursement will be allowed for any privately held insurance policies or long-term care expenses.

## SAMPLE OF ACCEPTABLE OVER-THE-COUNTER ITEMS\*

### ANTISEPTICS

Antiseptic wash or ointment for cuts, scrapes or burns  
Benzocaine swabs  
Boric acid powder  
First aid wipes  
Hydrogen peroxide  
Iodine tincture  
Rubbing alcohol  
Sublimed sulfur powder

### ASTHMA MEDICATIONS

Bronchodilator tablets  
Expectorant tablets  
Bronchial asthma inhalers

### COLD, FLU & ALLERGY MEDICATIONS

Allergy medications  
Cold relief syrup  
Cold relief tablets  
Cough drops  
Cough syrup  
Flu relief tablets or liquid  
Medicated chest rub  
Nasal decongestant inhaler  
Nasal decongestant spray or drops  
Nasal strips to improve congestion  
Sinus & allergy homeopathic nasal spray  
Sinus medications  
Vapor patch cough suppressant

### NOT ACCEPTABLE\*

Aromatherapy  
Baby bottles and cups  
Baby oil  
Baby wipes  
Breast enhancement system  
Cosmetics  
Cotton swabs  
Dental floss  
Deodorants

### DIABETES

Diabetic lancets  
Diabetic test strips  
Glucose meters

### EAR/EYE CARE

Ear drops  
Ear water-drying aids  
Ear wax removal drops  
Eye drops  
Contact lens solutions

### HEALTH AIDS

Band-Aids, gauze and tape  
Sleeping aids  
Thermometers  
Anti-fungal treatments  
Denture adhesives  
Diuretics and water pills  
Hemorrhoid relief  
Incontinence supplies  
Lice control  
Medicated bandages  
Motion sickness tablets

### PAIN RELIEF

Arthritis pain reliever  
Bunion and blister treatments  
Orajel  
Pain relievers, aspirin and non-aspirin  
Throat pain medications

Diabetic replacement foods  
Facial care  
Feminine care  
Fragrances  
Hair re-growth  
Low "carb" and calorie foods  
Oral care (mouth wash/plaque rinse)  
Petroleum jelly

### PERSONAL TEST KITS

Cholesterol tests  
Colorectal cancer screening tests  
Home drug tests  
Ovulation indicators  
Pregnancy tests

### SKIN CARE

Acne medications  
Anti-itch lotion  
Bunion and blister treatments  
Cold sore and fever blister medications  
Corn and callus removal medications  
Diaper rash ointment  
Eczema cream  
Medicated bath products  
Wart removal medications  
Sunblock SPF 30 & above

### STOMACH CARE

Acid reducers  
Antacid gum  
Antacid liquid  
Antacid tablets  
Anti-diarrhea medications  
Gas prevention food enzyme dietary supplement  
Gas relief drops, tablets or chewable  
Ipecac syrup  
Laxatives

Shampoo and conditioner  
Spa salts  
Sun tanning products  
Teeth whitening treatments or products  
Tooth brushes  
Tooth Paste

## DUAL USE - REQUIRES DOCTOR LETTER\*

Foot spa	Leg or arm braces	Multivitamins
Gloves and masks	Massage Therapy	Special supplements
Herbs	Minerals	Vitamins

\*Plan restrictions may apply. Check with plan administrator.  
Please note: This is a "sample" listing and all items are subject to review by plan administrator.