

# Flexible Spending Arrangement

## Enrollment Guide

**Save 25 - 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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(425) 452-3500  
Monday – Friday  
6AM – 6PM PST

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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 your company-sponsored benefits to be deducted pre-tax from your paycheck to be paid to the insurance carrier.

**Health Care FSA** reimburses out-of-pocket health care expenses for you and your tax 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</u>	Taxes	<u>-2,400</u>	Medical Costs
27,908		32,600	
<u>-2,400</u>	Medical Costs	<u>-6,548</u>	Taxes
25,508	Net Pay	26,051	Net Pay
<b>\$2,125</b>	<b>Monthly Pay</b>	<b>\$2,170</b>	<b>Monthly Pay</b>
<i>Without FSA</i>		<i>With FSA</i>	

**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 per month using an FSA — that's \$540 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.
- 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?

- Submitting claims for reimbursement couldn’t be easier! Your claims can be submitted online, through our phone app, via email, fax, or mail. No matter how you choose to submit your claims, you will need to include documentation to verify each expense.
  - For each claimed expense, documentation must show the **date of service, cost, and the type of expense** you are claiming. Bills from your providers or statements from your insurance company are typically perfect forms of documentation. **Do not submit copies of canceled checks or 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 when you pay for the medical care.

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 an enrollment confirmation after your election has been processed.

### FLEX-PLAN.COM

Our website is full of useful tools and information:

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

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

### THE FLEXI-APP

The Flexi-App is free to download on both iPhone and Android. With the App you can:

- Take photos of receipts to submit claims
- View account balances and history
- Receive alerts when your claims are processed and reimbursed

# 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 can also be used for your spouse and tax 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*	\$
Insurance Copays and Deductibles	\$
Laser Eye Surgery and procedures*	\$
Over-the-Counter Items	\$
Prescription drugs	\$
Routine Exams	\$
Additional Eligible Expenses	\$
<b>Annual Total</b>	<b>\$</b>

\*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 a 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

Items marked with an asterisk (\*) are considered over-the-counter (OTC) medicines or drugs and require a prescription for reimbursement.

Acne treatment*	Contraceptives	Humidifiers	Prenatal vitamins
Acupuncture	Copays	Immunizations	Prescription drugs
Allergy & Sinus medication*	CPAP machine	Incontinence supplies	Prescription glasses
Antacids*	Crutches	Individual counseling	Reading glasses
Antibiotic ointment*	Deductibles	Insect bite treatment*	Respiratory Treatments*
Anti-diarrheal*	Dental services	Lab work	Saline nasal spray
Antifungal foot cream*	Diabetic supplies	Lactation Consultant	Sleep Aids & Sedatives*
Anti-gas medication*	Diaper rash ointment*	Lactose intolerance pills*	Sleep deprivation treatment
Anti-itch cream/gel*	Digestive Aids*	Laser eye surgery	Smoking cessation products*
Antiseptic*	Drug addiction treatment	Laxative*	Smoking cessation programs
Asthma treatment*	Ear wax removal kits*	Lice treatment products*	Speech therapy
Bandages/gauze	Eye drops	Massage therapy	Sterilization procedures
Birthing classes or Lamaze	Feminine Anti-Fungal/Anti-Itch*	Medical records	Stool softener*
Blood pressure monitor	Fertility monitor	Motion sickness relief*	Thermometer
Braces (knee, ankle, wrist)	Fertility treatment	Nasal strips	Throat lozenges*
Breast pump	First Aid Kit	Naturopathic visits	Vision care
Burn cream*	Flu shots	Orthodontia	Walker
Chiropractic services	Genetic testing	Orthotic inserts	Wart treatment*
Coinsurance	Group therapy	Oxygen and equipment	Wheelchair & repair
Cold/hot pack	Hearing aids & supplies	Pain relievers*	X-rays
Cold sore treatment*	Hemorrhoid medication*	Parasitic treatment*	
Cold/cough medication*	Hormone therapy	Physical exams	
Compression stockings	Hospital fees	Physical therapy	
Contacts & solutions		Pregnancy test	

## 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.

Automobile modifications	Cosmetic procedures	Lumbar support	Vitamins and supplements
Braille books	Family therapy	Mole removal	Weight loss programs
Breast augmentation	Home medical equipment	Motorized scooter	
Breast reduction	Learning disability fees	Nutritionist expenses	

## 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.

Books	Funeral expenses	Insurance premiums	Hair growth products
Boutique practice fees	Gym membership	Late fees	Electric toothbrush/picks
COBRA premiums	Hair transplant	Liposuction	Teeth whitening
College insurance	Household help	Marijuana	Toiletries
CPR classes	Hygiene products	Marriage counseling	Veneers
Electrolysis/laser hair removal	Illegal operations/substances	Massage chair	Warranties
Face lift	Imported OTC items	Mattress	
Finance charges	Imported prescriptions	Missed appointment fee	

# THE FLEXI-CARD

## DON'T WAIT FOR REIMBURSEMENT

Rather than filing a claim and waiting for reimbursement for your out of pocket eligible expenses, you can use the Flexi-Card to pay your provider directly for qualified medical care expenses.

## VALID MERCHANTS

The card is accepted at participating merchants using the Inventory Information Approval System (IIAS) and at 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 have the ability to recognize when participants purchase FSA-eligible expenses. When you use your Flexi-Card to purchase items at these merchants you will not be required to substantiate your expense. For an extensive list of IIAS Participating Retailers please visit, [www.flex-plan.com/news.aspx](http://www.flex-plan.com/news.aspx), and click on the following link:

- IIAS Participating Retailers

Each time you swipe your Flexi-Card, the provider is paid on your behalf and the expense is deducted from your HCFSA balance. When you use 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 Flexi-Card charges require substantiation, a summary of your card activity for those charges will be emailed to you. In order to receive the Flexi-Card initially, you must provide a valid email address.

## ADDITIONAL CARDS

Upon enrollment in the plan you will receive one card in your name. If you would like additional cards in the name of a spouse or eligible dependent you may request them through the participant portal located at [www.flex-plan.com](http://www.flex-plan.com). There is a \$5 reissue fee for all additional card requests.



## CURRENT FLEXI-CARD HOLDERS

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.

## USING YOUR FLEXI-CARD FOR OTC MEDICINES AND DRUGS

To utilize your Flexi-Card to pay for over-the-counter (OTC) medicines and drugs at a drug store or pharmacy, you must present a prescription to the pharmacist, who then must dispense the OTC medicine or drug in accordance with applicable law, assign an Rx number, and retain a record of the prescription.

If these steps are taken, the item will be considered fully substantiated at the point of sale and no further documentation will be required. However, if these steps are not taken, the Flexi-Card will not function when purchasing OTC medicines and drugs at drug stores and pharmacies.

## SAVE YOUR RECEIPTS!

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

# DAY CARE FSA

Child care can be 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. Reimbursement cannot exceed the account balance.
- The 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 may 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 the Participant page on our website [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 expenses for care allow you to look for work or work full-time.