

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

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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
\$2,125	Monthly Pay	\$2,170	Monthly Pay
<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 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	\$
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 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.

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

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 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.