

# **Flexible Spending Account**

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A Summary of the  
Reimbursement and  
Non-Reimbursement  
Account Arrangements

Educators Mutual Insurance Association of Utah  
Educators Administrative Services, Inc.

Your employer, with the cooperation of Educators, wants to help you increase your paychecks...to provide additional dollars to purchase needed fringe benefits.

This plan can help you in three ways:

- Reduce your tax obligations.
- Provide new dollars to purchase needed benefits for you and your family.
- Let you personally select what you need from the wide range of benefits made available by your employer.

Let's look at an example:

**WITHOUT SECTION 125 FSA**

Monthly Salary .....	\$3,000
Taxes (30% Federal, State, and FICA) .....	-900
After-tax Medical Insurance .....	-20
TAKE HOME PAY .....	\$2,080
Dependent Care Costs .....	-400
Supplemental Group Term Life Premium .....	-10
Out-of-pocket Health Care Costs .....	-100
<b>SPENDABLE INCOME .....</b>	<b>\$1,570</b>

**WITH SECTION 125 FSA**

Monthly Salary .....	\$3,000
Pre-tax Medical Insurance .....	-20
Supplemental Group Term Life Premium .....	-10
Dependent Care Costs .....	-400
Out-of-pocket Health Care Costs .....	-100
TAXABLE SALARY .....	\$2,470
Taxes (30% Federal, State, and FICA) .....	-741
FSA Administration Costs .....	-2
<b>SPENDABLE INCOME .....</b>	<b>\$1,727</b>

This example illustrates **\$157 per month saved in taxes** by using pre-tax dollars to pay your out-of-pocket expenses through your Flexible Spending Account—expenses you are now paying with after-tax dollars.

To estimate savings based on your deductions and salary, visit [www.educatorsmutual.com](http://www.educatorsmutual.com) and click on the Benny icon.

## GENERAL

**Please note:** This is a summary only and does not guarantee benefits. All benefits are subject to the terms, limitations, and exclusions set forth in the Plan Document. The Plan Document is available for your review from your employer during regular business hours.

### Eligibility

- If you are a regular full-time or a regular part-time employee, you are eligible to participate in the Flexible Spending Account (FSA) program.

### Administrative Charge

- An administrative charge will be assessed each plan year. The charge is determined annually between Educators and your employer.

### Important Restrictions

It is important to note that FSA plans are regulated by the Internal Revenue Service (IRS), and therefore, are subject to requirements that neither your employer nor Educators can alter or ignore.

- You may begin participation during your group's enrollment period only, unless you are a new hire.
- Funds may not be transferred from one account to another; the amount that you designate for medical reimbursement may not subsequently be used for reimbursement of dependent care expenses and vice versa.
- Funds remaining in your Reimbursable Care Accounts that are not used to reimburse eligible expenses incurred during the plan year may not be carried over to the next plan year, but must be forfeited to **your employer** (not Educators).
- Contributions and reimbursements made through FSA may not be included as a deduction on your income tax return.

### Election Changes

- The FSA plan allows an election change only in the event of a change in family status affecting your need for an elected benefit. A change in family status includes your marriage or divorce, the birth of your child, the death of your spouse or child, or a change in your employment status and/or that of your spouse. Written notice of any change must be submitted to your employer.

- If you terminate employment during the plan year and do not elect to continue participation in FSA under COBRA, you may continue to submit, and be reimbursed for, eligible expenses **incurred prior to the date of termination**. You may not rejoin the plan or continue making contributions on a pre-tax basis for the balance of the plan year.
- If you terminate employment during the plan year and you elect to continue your FSA under COBRA, you must continue to make after-tax contributions equal to the amount you elected to contribute prior to termination for the balance of the plan year. You may continue to submit, and be reimbursed for, eligible expenses **incurred during the plan year**.

## **NON-REIMBURSABLE ACCOUNTS**

- Your Non-reimbursable Premium Only Accounts generally require an annual enrollment in the Flexible Spending Account program. Premiums for the following plans are eligible:

Group Medical Plans  
Group Dental Plans  
Supplemental Group Term Life Plans

- Your non-reimbursable insurance premium election is designed to give you a tax benefit on **employer-sponsored** insurance premiums not paid by your employer for which you are liable.
- You are allowed to put the premiums for up to \$50,000 in eligible employer-sponsored group life premiums through your FSA. Any premiums for insurance coverages above this amount will be subject to Federal and State income taxes and Social Security taxes.

## **REIMBURSABLE ACCOUNTS**

- Reimbursable Accounts require annual enrollment in the Flexible Spending Account program; otherwise a deduction cannot be made. There are two types of Reimbursable Care Accounts:

Out-of-pocket Health Care (medical, dental, and vision)  
Out-of-pocket Dependent Care (child/elderly)

## Health Care Account

- Your Health Care Expense Reimbursement Account may be used to reimburse you for out-of-pocket expenses incurred for legally-procured treatment of yourself, your spouse, and your eligible dependents. (Your employer may impose a maximum contribution amount.) A **partial** list of eligible and ineligible expenses follows.

Eligible Health Care Expenses are determined by the IRS and include, but are not limited to, the following:

- Insurance deductible and copayment amounts
- Dental care, including orthodontics (a copy of the orthodontist's contract is required)
- Eyeglasses, contact lenses and supplies (including solution and cleaner), and hearing aids
- Eye surgery when performed primarily to correct vision
- Well-baby checkups
- Birth control medication by prescription
- Medically advised exams and surgery for obesity
- Weight-loss programs undertaken at a physician's direction to treat an existing disease (such as heart disease)
- Non-elective cosmetic surgery (to correct congenital birth defects, disfiguring diseases, or accidents)
- Immunizations
- Orthopedic (corrective) shoes recommended by a physician
- Sonograms and Ultrasounds
- Individual psychiatric or psychological counseling
- Smoking cessation programs and drugs
- Prescription drug costs, including copayments and deductibles
- Eligible over-the-counter drugs (see Over-the-counter Drugs section)
- IRS' automobile mileage allowance when the automobile is used to obtain medical services

Ineligible Health Care Expenses include, but are not limited to, the following:

- Expenses submitted to any other insurance carrier prior to, or simultaneously with, submission of those expenses to this plan, until such time as the other carrier denies such expenses

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- Expenses reimbursed by any other insurance policy, employer plan, or any other party, including a Health Maintenance Organization
  - Insurance premiums not sponsored by your employer
  - Any occupational illness or injury covered by Worker's Compensation
  - Services not recommended by a physician
  - Services not medically necessary or not generally accepted as appropriate treatment according to the prevalent standards of medical care
  - Illegally-procured drugs
  - Weight-loss programs if the purpose of the weight control is to maintain general good health
  - Equipment not considered durable or medically necessary
  - Capital improvements that are not medically necessary, including swimming pools, elevators, air conditioners, and dust elimination systems
  - Elective cosmetic surgery
  - Teeth bleaching/whitening or veneers
  - Massage therapy, unless it is to treat a specific medical diagnosis from an MD
  - Treatment or service **rendered prior to the beginning, or after the end, of the plan year**

### **Over-the-counter (OTC) Drugs**

Reimbursable OTC items must be submitted with the appropriate reimbursement form, including the name of the user, and must be substantiated with a receipt that includes a complete description of the item and the date and amount of the purchase. Examples of eligible OTC drugs include, but are not limited to, the following:

- Items that have solely medical purposes such as
  - allergy medicines
  - antacids
  - cold medicines
  - pain relievers
- Items that were formerly prescription drugs, but are now identified as OTCs
- Drugs purchased to alleviate or treat personal injuries or sickness and articles recognized in the official United States Pharmacopoeia, official homeopathic Pharmacopeias of the United States, or official National Formulary, or any supplement to any of them
- Drugs to treat gingivitis that have medical-only purposes

OTC drugs with dual purposes must be accompanied by a medical practitioner's note stating that the person has a specific medical condition, that the OTC drug is recommended to treat the condition, and that the treatment is not a cosmetic procedure. Examples of eligible OTC drugs with a dual purpose include, but are not limited to, the following:

- Weight loss drugs
- Special foods (additional cost only)
- Pills for lactose intolerance
- Nasal sprays for snoring
- Orthopedic shoes and inserts (additional cost only)
- Sunscreen
- Glucosamine/Chondroitin for arthritis or other medical conditions
- St. John's Wort for depression
- OTC hormone therapy
- Dietary supplements or herbal medicines to treat specific medical conditions

OTC drugs that are non-reimbursable include, but are not limited to the following:

- Vitamins, dietary supplements, or any other items that are merely beneficial to general health
- Cosmetics, skin care products, or acne treatment directed at improving appearance or cleanliness
- Toothpaste or toothbrushes (electric or otherwise), even if a dentist recommends them

### **Dependent Care Account**

Expenses for dependent child care are subject to requirements and limitations of Internal Revenue Code Section 129.

- Your dependent care expenses must be incurred to allow you and/or your spouse to work or to look for work.
- You must have made payments for dependent care to someone you could not claim as a dependent, and if the person you make payments to was your dependent, he or she must have been age 19 or over by the end of the plan year.
- You may allocate up to \$5,000 per tax year for reimbursement of dependent care expenses (\$2,500 if you are married and file a separate tax return).

**Dependent Eligibility**—An eligible dependent is someone who falls into one of the following categories:

- Your dependent under age 13 for whom you may claim an income tax exemption;
- Your dependent who is physically or mentally not able to care for himself or herself; or
- Your spouse who is physically or mentally not able to care for himself or herself.

**Dependent Care Expenses** include, but are not limited to, the following:

- Wages paid to a babysitter, who is not a dependent exemption of the employee or spouse, for services inside or outside of your home
- Employer taxes paid on the wages of a dependent care provider
- The portion of the costs for a private school that covers care beyond educational requirements
- Costs for “away from home facilities” as long as your dependent spends at least eight hours a day at home
- Services provided by a day care center that complies with all state and local regulations
- Any other qualified dependent care expenses as defined by the Internal Revenue Code

**Health Care (medical, dental, vision) and Dependent Care (child/elderly) Account reimbursements MAY NOT ALSO BE CLAIMED AS FEDERAL INCOME TAX DEDUCTIONS OR CREDITS. Expenses exceeding the reimbursable amount may be claimed as income tax deductions or credits, in accordance with IRS regulations.**

## **CLAIMS FOR REIMBURSABLE ACCOUNTS**

- All requests for withdrawal must be on the proper “Reimbursement Form,” and the supporting documentation listed on the reverse side of the “Reimbursement Form” must be included.
- Claims for dependent care must be accompanied by a receipt signed by your dependent care provider and must include the provider’s social security number or TIN.
- You will be reimbursed only for eligible expenses that you incur during the plan year, up to the date of termination. (See pages 4 through 7 for eligible and ineligible expenses.)

- Under IRS guidelines, **expenses are “incurred” when the patient is treated, or on the dates the dependent is cared for**, and not when the participant is formally billed, charged, or pays for the treatment. However, you may submit your claim for reimbursement as late as ninety (90) days after the end of the plan year during which the expenses were incurred.
- Automatic reimbursement is an option for medical and dental expenses, when Educators is the insurance carrier, for employees who do **not** have coordination of benefits or the Benny debit card (see Benny™Card information below). This election must be specified on your enrollment form; otherwise, you must be reimbursed *manually*. Automatic reimbursement of prescription drug expenses is not an option.

### **Benny™Card Users**

- The Benny™Card option may only be selected during your group’s open enrollment period.
- The Benny™Card may only be used for reimbursement under the Health Care Account, not the Dependent Care Account.
- The health care provider or pharmacist will swipe the Benny™Card through a MasterCard® machine, and the amount will automatically be deducted from your Health Care Account.
- You will not be required to send in your receipts for most copayments or prescription purchases, but you must keep all documentation, so you can substantiate that the service was eligible for reimbursement, if requested to do so.
- You may still submit the documentation and the proper “Reimbursement Form” to Educators, as described above.
- You may review your card activity online at [www.educatorsmutual.com](http://www.educatorsmutual.com), by clicking on the Benny icon.

**All requests for reimbursement are subject to review.**

### **COMMONLY ASKED QUESTIONS**

Listed below are commonly asked questions about the FSA program and where to find the answer in the Summary Plan booklet.

- How do I receive reimbursement from my FSA? ..... Pgs 7 & 8
- May I carry account balances over to the next plan year? ..... Pg 2
- What happens to funds that were not used to reimburse eligible expenses incurred during the plan year? ..... Pg 2

- May I claim expenses for services rendered prior to the beginning of my plan year? ..... Pgs 5 & 7
- May I submit expenses after the end of the plan year for services rendered during the plan year? ..... Pgs 5 & 7
- May I change or cancel my contribution election amount during the plan year? ..... Pg 2
- What if I terminate employment? ..... Pg 3
- May I use reimbursable account contributions as income tax deductions? ..... Pgs 2 & 7
- If I have a change in family status or employment, how do I change my contribution amount? ..... Pg 2
- If I terminate can I rejoin the Plan during the same year? ..... Pg 3
- What is the Benny™Card? ..... Pg 8

Here are the answers to some additional questions you may have.

Q: Will I earn interest on the money held in my Flexible Spending Account?

A: *No.*

Q: May I make additional lump sum contributions to my account?

A: *No. No contributions may be made to your account other than those made through monthly payroll deduction.*

Q: Since I will not pay Social Security taxes on the portion of my salary contributed to my FSA account, how will this affect my future Social Security benefits?

A: *Considering the amount of salary which will not be taxed, the effect should be minimal. However, we encourage you to invest savings for future retirement through other means.*

Q: Are checks and check copies or credit card receipts acceptable documentation?

A: *No. Check the reverse side of the Reimbursement Form for a list of acceptable supporting documentation.*

Q: Are there COBRA rights for Flexible Spending Accounts?

A: *Yes! Call Educators Flexible Spending Department to determine how it applies in your situation.*

Further questions may be directed to your Educators Representative by calling 262-7475 locally, or toll-free 1-800-662-5851.