



Make every benefit **count.**



**Flexible** Spending Accounts



# Did You Know?

- The average annual out-of-pocket health care expenses per family are more than \$2,000?
- Health insurance premiums are expected to increase at a double-digit rate each year?
- Child care costs are on the rise?

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# What if you could...?



Buy your  
prescription  
and OTC  
drugs at a  
discount?

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# What if you could...?



Pay for  
child care  
tax-free?

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# What if you could...?



Would you  
pass up  
savings like  
these?

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# Flexible Spending Accounts

**No, of course not!**

- That's why the University offers a benefit program to help
  - Flexible Spending Accounts
- With a Flexible Spending Account, you can save for eligible health care or child care expenses tax-free
- That means more for your dollar!

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# Flexible Spending Accounts



How do  
Flexible  
Spending  
Accounts  
work?

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# How does it work?

- First, decide how much money you want to deposit into your Flexible Spending Account (FSA)
- An equal portion per pay period of your FSA election is taken out of your pay before taxes
- These tax-free dollars are put into your Flexible Spending Account

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# How does it work?

- After you incur an eligible expense you submit a Reimbursement Request
- You are reimbursed with tax-free dollars, by check or direct deposit, whichever you choose
- It's that simple!

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# How much can you save?

- It can **boost your income!** The typical employee can save **30% or more** on all eligible expenses
- If you ***Don't contribute*** to a Flexible Spending Account, pay \$2,000 in medical expense with ***\$0 tax savings***
- ***Contribute*** to a Flexible Spending Account, pay \$2,000 in medical expense, but ***save about \$600 in taxes***
- It is an excellent way to offset rising health and dependent care costs

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# FSA: Why Should You Use It?

## Boost your income - Health Care FSA Example:

Situation: Bob estimates that he will have approximately \$1,200 in out-of-pocket health care expenses next year and is looking to increase his take-home pay.

	Without HC FSA	With HC FSA
Gross pay (annual)	\$35,000	\$35,000
Pre-tax HC FSA	\$0	\$1,200
<b>Taxable gross</b>	<b>\$35,000</b>	<b>\$33,800</b>
Payroll taxes (at 30%)	\$10,500	\$10,140
Health care cost	\$1,200	\$0
<b>Net pay</b>	<b>\$23,300</b>	<b>\$23,660</b>
<b>Annual net pay increase*</b>		<b>\$360</b>

\* This example is based on an estimated tax rate. Your personal tax rate may vary.

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# FSA: Why Should You Use It?

## Boost your income - Dependent Care FSA Example:

Jason and Jessica have one child, they both work full-time. Their child is in day care while they are at work, which costs \$3,500.

	Without DC FSA	With DC FSA
Gross pay (annual)	\$35,000	\$35,000
Pre-tax DC FSA	\$0	\$3,500
<b>Taxable gross</b>	<b>\$35,000</b>	<b>\$31,500</b>
Payroll taxes (at X %)	\$10,500	\$9,450
Dependent care cost	\$3,500	\$0
<b>Net pay</b>	<b>\$21,000</b>	<b>\$22,050</b>
<b>Annual net pay increase*</b>		<b>\$1,050</b>

\* This example is based on an estimated tax rate. Your personal tax rate may vary.

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# Flexible Spending Accounts

Why pay more in  
taxes, when you  
can pay less?

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# Are you convinced yet?

- Now let's take a closer look at Flexible Spending Accounts
- There are two kinds of Flexible Spending Accounts (FSAs)
  - Health Care FSA
  - Dependent Care FSA

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# Health Care FSA: What is It?

## Health Care Flexible Spending Account (FSA)

- Is an easy-to-use benefit that reimburses you for healthcare related expenses not covered by your health insurance

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# What Can You Use It For?

## Health Care Flexible Spending Account (FSA)

- You can use this money to be reimbursed for eligible medical expenses
  - Prescriptions and over-the-counter medications
  - Deductibles, co-insurance and co-payments
  - Eyeglasses, contact lenses or LASIK
  - Dental and orthodontia expenses

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# What Can You Use It For?

## and more...

- Prescription sunglasses
- Artificial teeth/dentures
- Smoking cessation programs
- Prescribed birth control
- Vaccinations
- School and work physicals
- Chiropractic care
- Psychiatric care
- Hearing aids/batteries
- Dermatologist's fees
- Wheelchair and / or crutches
- Assistance for the disabled
- Diabetic supplies
- Orthopedic shoes
- Well baby care
- Amounts over plan limits
- Ambulance
- Physical therapy
- Acupuncture
- Over-the-counter (OTC) drugs

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# Dependent Care FSA: What is It?

## Dependent Care Flexible Spending Account (FSA)

- Is a valuable benefit that allows you to pay for day care to take care of your children or elderly parents while you work

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# What Can You Use It For?

## Dependent Care Flexible Spending Account (FSA)

- For qualifying dependents that are:
  - Under the age of 13
  - Are mentally or physically incapable of self-care spend at least eight (8) hours per day in your home
- For work-related dependent care expenses and are primarily for the care of the qualifying person
  - Child care
  - Elder care
  - Before and after school care
  - Care for disabled dependents

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# What Can You Use It For?

## Eligible providers

- Child care centers (if more than 6 children, state and local regulations must be met)
- Elder care services
- In-home providers
- Care providers must report the income

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# FSA: How It Works?

- Expenses must be incurred during the plan year ( and subsequent 2.5 month grace period)
- You may not roll over leftover funds to the next plan year
- You may not change your election amount unless you have an eligible change in status

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# FSA: How It Works?

- Carefully determine how much to contribute
- These tax-free dollars are placed into your Flexible Spending Account
- You can submit a reimbursement request by mail or fax and a check will be mailed to you
- **It's that simple!**

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# FSA: When Do I Enroll?

- Review the enrollment kit for more information
- The plan year runs from January 1 to December 31, 2010
- Estimate your expenses for next year
- Your election form is due no later than November 24

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# What is the Benefits Card?



- Similar to a bank debit card
- Linked to participants' Health Care FSA balance
- Value on the card at the beginning of the plan year is equal to the participant's HFSA election
- One card issued automatically to all HFSA participants
- Employee chooses to use card

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# Who is participating?

- There is no special network of providers
- The Benefits Card will be accepted at medical providers that display the Visa logo
- Cards can also be used at the pharmacy counter at retailers where a pharmacy is located within the store

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# Additional Processes

- Card Transaction Adjudication and Receipt Requests
  - All card transactions must be adjudicated to ensure they meet IRS 213 standards
  - Adjudication may occur electronically
    - Third party data source – IIAS Inventory Information Approval System
    - Match to employer sponsored health insurance plan co-pays
  - If Ceridian is unable to adjudicate electronically, the participant will receive a receipt request
    - Failure to reply to notification in a timely manner may lead to card suspension
    - Even if a card is suspended, participant can still submit reimbursement request for amounts paid with an alternate payment method

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# Additional Processes

- **Ineligible Purchases**

- If a card purchase includes items that would not be reimbursable per IRS section 213 or if receipts requested are not received, the employee is required to pay back the plan
  - Deducted from future claims submitted
  - Payment by check or money order

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