

DIVERSE-CHOICE

SECTION 125 Benefit Overview

Research Foundation For Mental Hygiene, Inc. FLEXIBLE SPENDING ARRANGEMENT (“FSA”)



Diversified Administration Corporation

**369 North Main Street
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**DIVERSE-CHOICE
FLEXIBLE SPENDING ARRANGEMENT
Section 125**

What Is A Health FSA?

A Health FSA refers to a medical reimbursement plan that is a “flexible spending arrangement” (FSA). It allows you to set aside money for certain healthcare costs from your paycheck before taxes are taken.

The advantage is that you are spending pretax dollars, so you end up paying fewer taxes on your salary and having more to spend. You can also access your entire year's pledge at the start of your company's plan year. With a Health FSA, you can be reimbursed for dollars spent on eligible healthcare expenses that are not paid for by your health insurance plan. If you don't use the money by the end of the benefit plan year, your employer cannot refund it to you.

Examples of Reimbursable Health Care Expenses:

- Medical and dental deductibles and co-payments
- Eye exams, contact lenses, and glasses
- Prescription drug co-payments and co-insurance
- Over-the-counter (OTC) eligible products
- Orthodontia or other dental care
- Physical therapy
- Chiropractic care
- Hearing aids
- Smoking cessation

Are All Over-The Counter Products Covered By a Health FSA Plan?

Due to changes in the tax law, beginning January 1, 2011 you will no longer be reimbursed for Over-The-Counter (OTC) medications, unless accompanied with a written prescription. You will however be able to submit claims for Over-The-Counter medical supplies. Examples: bandages, denture adhesive, crutches, diabetic test kits, hearing aids, etc.) Only products used for medical purposes are covered (not for cosmetic purposes or general health).

What about Vitamins, Toothpaste, Soap and Shampoo?

These items are not eligible because they are cosmetic in nature, or merely beneficial to your general health (like soap and toothpaste).

How Much Money Can I put into my Health FSA?

There are no legal limits on how much money you may contribute to your FSA plan-but your plan sponsor (employer) may set a limit (both minimum and maximum contribution dollars). You will want to estimate your eligible expenses to figure out the right contribution for you or your family.

Can I Change My Mind?

You choose your FSA contribution amount during open enrollment (it's usually in the fall); this is the time of year you elect/change your benefits such as medical, dental, etc. Open enrollment season varies from company to company. Once your contribution election becomes effective, you won't be able to change it until the next open enrollment period, UNLESS there is a change in your eligibility status (such as marital status, a newborn, an adoption, etc.). You must check with your employer for specific eligibility status rules.

Because I Will Pay Less Fica Taxes, What Happens To My Social Security Benefits When I Retire?

You may receive a slightly lower monthly social security check if you participate in the Flexible Spending Arrangement in the years just prior to your retirement.

What Happens To Unused Funds In The Plan At The End Of The Year?

In general, if the medical care expenses you incur during the plan year are less than the annual amount you elected for Health FSA Benefits, you will forfeit the rest of that amount—this is commonly referred to as the “use-it-or-lose-it” rule. In other words, you cannot be reimbursed for (or receive any direct, or indirect, payment of) any amounts that were not incurred for health care expenses during the Plan Year.

What Happens If My Employment Ends?

If you leave or are terminated from your job, the unused amounts credited to your Health FSA may be forfeited if you do not submit expenses for the period prior to termination. However; if you have used your entire FSA benefit prior to your leave/termination, you will not be required to pay your employer the balance of the remaining monthly contributions. You have the ability to use your full annual amount of FSA dollars on day 1, even though your contributions will be made each pay period during the year. You should also contact your Employer about any COBRA continuation coverage that might be available (Note: not all Employers are required to offer COBRA continuation).

Substantiation of Flexible Benefit Claims

You can use a debit card (**if your employer provides one**) to spend the money on eligible expenses. If your employer doesn't provide a debit card, you must submit supporting documentation as described below and get reimbursed by check. An eligible medical expense may be reimbursed from a Flexible Spending Arrangement only if the expense is properly documented. Internal Revenue Service regulations require an employee to furnish a written statement from an independent third party stating the name of the patient, the date the expense was incurred, description of expense and the amount of the expense.

Supporting documentation required is as follows:

- An Explanation of Benefits (EOB) claim statement showing the deductible, coinsurance and any other amount not covered by the medical or dental plan that covered you and your dependents

And/Or

- A fully itemized bill from a doctor, dentist, pharmacy or other supplier that includes the date of service, the name of the patient and the type of service, if the expense is not covered by insurance.

*Note: Cancelled checks, cash register receipts or balance due statements **ARE NOT** considered valid Third Party Substantiation unless accompanied by the above documentation.*

How Do I File For Reimbursement Under The Health FSA If I Have Other Insurance Coverage?

First, submit medical/dental/vision claims to your insurance company. If you and your dependents are covered by more than one plan, submit your claims to all plans first. These claims will be processed and “Explanation of Benefits” (EOB) will be sent to you. If your insurance company does not send EOB's you will have to request one.

Automatic Rollover Processing, if applicable...

If Diversified Administration Corporation is the Claims Administrator for your medical/dental/vision coverage and your Employer has elected Automatic roll-over of your out-of-pocket expense to your Flex Account, you need do nothing more.

If your plan does not have Automatic roll-over from claims processing:

Once you receive your “Explanation of Benefits” EOB with unreimbursed expenses such as deductible and coinsurance, you may submit it to the Flex Department. If proof of payment is required, this should be included.

For reimbursement of out-of-pocket expenses, submit the following:

1. FLEX REIMBURSEMENT FORM (Completed, and Signed).
2. EOB (Explanation of Benefits) this will indicate your unreimbursed expenses.
3. PROOF OF PAYMENT BY YOU, if required. Send a copy of a cancelled check, credit card receipt, or a receipt from your provider indicating that payment has been made.

How Do I File For Reimbursement Under The Health FSA If I Do Not Have Other Insurance Coverage?

If you do not have insurance coverage for your medical expenses, you must provide the following documentation:

1. FLEX REIMBURSEMENT FORM. (Signed and completed).
2. A WRITTEN STATEMENT from you or your Authorized Representative that the expense has not been reimbursed under any other health insurance coverage or plan, and that you will not seek reimbursement under any other health insurance coverage or plan.
3. AN ITEMIZED INVOICE from the medical provider or pharmacy clearly stating:
 - Type or description of service
 - The date the service was incurred
 - The date the expense was paid (if required by your employer)
 - Name of patient

Submit the above-required documentation to:

Diversified Administration Corporation
Attn: Flex Department
369 North Main Street
P.O. Box 299
Marlborough, CT 06447

What Is A Dependent Care Assistance Program (“DCAP”)?

A Dependent Care Assistance Program (“DCAP”) is a type of flexible spending arrangement plan that allows an employee to be reimbursed for employment-related, dependent day care expenses that allow the employee and his or her spouse to be “gainfully employed”. Employment related expenses only apply to certain individuals. Typical employment related expenses are those incurred to have a baby sitter or day-care provider take care of an employee’s child (**under age 13**) while Mom and Dad are working, or to take care of a spouse or other tax dependent who lives with the employee and is incapable of self-care.

Who are Eligible Dependents?

- Children **under the age of 13** who qualify as dependents on your federal income tax return
- Disabled spouse or dependent for whom you pay more than one-half the cost of support

What is Eligible Care?

- To be eligible, care must be employment related. In other words, dependent care must be necessary in order to allow the adults in the household to work, or in some cases, attend school.

Eligible expenses include direct supervision of the dependent(s) and expenses for household services. Most kinds of direct supervision are covered, including:

- Care in your home.

- Care in a dependent care center. If the facility provides care for over six individuals, the center must comply with applicable local laws and regulations.
- Dependent care provided by an individual. You may arrange to have a neighbor or an individual provide care in your home or in their home. The individual giving care cannot be your spouse or your child (unless the child is age 19 or older). Also, under no circumstances can the individual be a tax dependent claimed by you or your spouse.
- Dependent care provided in an educational institution. For children, under the age of six, any cost for kindergarten or nursery school is assumed to be for dependent care. For older children, tuition expenses are assumed to be incurred for educational purposes only and are not eligible. If the tuition can be split between education and before and after-school care, then the portion of expense for before and after-school care may be eligible for reimbursement.

If you are married, both you and your spouse must be working or your spouse must attend an educational institution in order for dependent care expenses to be reimbursed. In addition, expenses do not qualify for reimbursement if they exceed your earned income or the earned income of your spouse; whichever is the lower income. Earned income includes wages, salaries, tips and other employee compensation. It also includes net earnings from self-employment.

When using a Dependent Care Assistance Program, you cannot use the same expenses to calculate your Dependent Care credit on your federal income taxes. You may use the tax credit, or the Dependent Care account, and in some instances a combination of both.

Any money put into a Dependent Care Spending Account will be used to off set the dollar amount of childcare expenses eligible for federal tax credits.

The maximum allowable amount you can contribute to the Dependent Care Assistance Plan is limited to a statutory amount. The limit is calculated on a calendar year basis and is equal to the smallest amount listed below:

- \$5,000 (if the employee is married and filing a joint return or is a single parent)
- \$2,500 (if the employee is married but filing separately)
- The employee's earned income; or
- The spouses earned income (if the employee is married at the end of the taxable year).

How Do I File A Claim For Dependent Care Reimbursement (DCAP)?

To obtain reimbursement of your dependent care requests send:

1. FLEX REIMBURSEMENT FORM (Forms are available at your Employer)
2. THIRD PARTY SUBSTANTIATION (PROOF OF SERVICE OR ITEMIZED STATEMENT FROM DAY CARE PROVIDER) that provides the following information:
 - Description of service

- Date of service
- Amount of expense

Submit the above-required documentation to:

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369 North Main Street
P.O. Box 299
Marlborough, CT 06447

IMPORTANT NOTICE

The above handout is intended to provide a brief overview of Flexible Spending Arrangements (FSAs) in general and may not accurately reflect the FSA benefits offered by your Employer. You should contact your Employer for a Summary Plan Description, which provide more specific information regarding the FSA benefits available to you.

In addition, the information above is not intended to provide you with tax or legal advice. You should contact a tax professional regarding your personal situation.

HEALTH FSA WORKSHEET

To determine which of your expenses can be paid from a Health FSA and how much of your salary you should deposit into your account, complete this worksheet. You will need the following:

- A list of estimated eligible health care expenses for the upcoming plan year.
- Your tax returns and receipts for health care expenses paid by you and your spouse last year.

Remember, be conservative when you estimate your eligible expenses because any money you put into your Medical Reimbursement Spending Account and do not use will be forfeited by you at the end of the Flex Plan year.

	<u>Last Year's Total Expenses</u>	<u>This Year's Total Estimated Expenses</u>
Unreimbursed Medical Expenses (Medical, Dental, Vision & Prescription Drugs)	_____	_____
Coinsurance/Co-Payments/Deductibles	_____	_____
Orthodontic Services	_____	_____
Preventive Care Services	_____	_____
Over-the-counter (OTC) eligible items	_____	_____
Other _____	_____	_____
TOTAL (This Year's Estimated Expenses):	_____	_____

DEPENDENT CARE WORKSHEET (DCAP)

To determine which of your expenses can be paid from a Dependent Care Assistance Program (DCAP) and how much of your salary you should redirect, complete this worksheet. You will need the following:

- Your tax returns and receipts for dependent care paid by you and your spouse last year; and
- Your most recent payroll check stub.

Remember, to be eligible, dependent care must be employment related. Be conservative when you estimate your eligible expenses because any money you put into your DCAP and do not use, will be forfeited by you at the end of the Plan year.

	<u>Last Year's Total Expenses</u>	<u>This Year's Total Estimated Expenses</u>
Baby-sitter/ Day Care	_____	_____
Nursery School	_____	_____
Pre or After-School Care	_____	_____
Home Health Care for Physically disabled adult	_____	_____
Day Camp	_____	_____
TOTAL (This Year's Estimated Expenses):	_____	_____