



Flexible Spending Account Participant Guide

What Is a Flexible Spending Account?

A Flexible Spending Account (FSA) is a benefit provided by your employer that allows you to pay certain health care expenses with pre-tax money. You will not pay any federal, Social Security, and, in most cases, state or local taxes on the funds you designate to the plan. You can save an estimated \$20 to \$40 on every \$100 you elect to defer. The amount of your savings will depend on your federal, state, and local tax brackets.

It is important that you understand how FSAs work in order to maximize their valuable advantages. This guide will help you understand these accounts, their rules, reimbursement procedures, and the election process.

Who Is Eligible for the FSA?

All eligible employees can participate in the FSA as soon as they are eligible for medical coverage. The plan begins January 1st. You can participate in the FSA plans even if you do not participate in any other employer sponsored health insurance plan.

Changes in Your Elections

Once you have enrolled in an FSA, you may not make any changes to your election unless you have a change in family status, such as:

- Marriage • Divorce • Birth or adoption
- Change in Spouse's employment status • Death of a dependent (child or spouse)
- Unpaid FMLA or Non-FMLA leave
- Involuntary loss of spouse's medical or dental coverage

Changes in Your Elections, continued

The change in election must be consistent with the change in status that has occurred, and must be submitted to your Human Resources Department within 30 days of the change in status.

Payment Method

Pay the eligible expenses out of your pocket and submit a completed claim form and receipt to Mountain States Administrative Services to receive reimbursement.

Automatic Sweep Option

If you are enrolled in a medical or dental plan that is administered by Mountain States Administrative Services, you can elect the Automatic Sweep Option. This will allow claims with out-of-pocket expenses to be automatically reimbursed under your FSA. You will not need to submit an FSA claim form for these expenses. You will still need to submit an FSA claim form for any other eligible expenses such as prescription co-payments, eligible over the counter medications and Dependent Care services.

To enroll for Automatic Sweep contact MSAS directly.

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Health Care Reimbursement Account

Introduction

Almost everyone has a number of necessary and predictable expenses that are not covered by their insurance programs. The Health Care Reimbursement Account will help you pay for these predictable expenses.

Eligible Expenses

With this account, you can pay out-of-pocket health care expenses for yourself, your spouse and all of your dependents for health care services that are incurred during your plan year and while an active participant.

Your eligible health care expenses can be reimbursed regardless of whether you or your dependents are covered by a medical or dental plan sponsored by your employer.

For a complete list of eligible expenses, see IRS Publication 502 “Medical and Dental Expenses” at www.irs.gov/pub/irs-pdf/p502.pdf

Examples of Eligible Expenses

- Immunizations/Vaccines • Acupuncture
- Birth Control Pills • Dental Treatment
- Coinsurance/Deductibles • Chiropractors
- Contact Lenses/Solution • Nursing Services
- Artificial Limbs/Teeth • Optometrists
- Laser Eye Surgery • Insulin
- Diagnostic Services • Physical Therapy
- Operations/Surgery • Crutches
- Alcoholism Treatment • Flu Shots
- Psychiatric Care • Laboratory Fees
- Psychologist/Psychoanalysis
- X-rays • Osteopath
- Eye Exams/Glasses • Aspirin
- Fluoridation Device
- Prescribed Massage Therapy
- Smoking Cessation (prescription)
- Nicotine Gum and Patches
- Christian Science Practitioners
- Prescribed & Over-the-Counter Medicines

Ineligible Expenses

Some expenses that you incur during the year may not be eligible for reimbursement under current IRS regulations.

- Health care expenses not yet rendered cannot be reimbursed. Health care services do not have to be paid, but must have been rendered during the plan year and while an active employee, to be eligible for reimbursement.
- Premiums for any insurance policies are not eligible for reimbursement through your FSA account.
- Expenses paid by an insurance company are not eligible for reimbursement; only the portion you have to pay out of your pocket for your health care and dental expenses are eligible for reimbursement.

For a complete list of ineligible expenses, see IRS Publication 502 “Medical and Dental Expenses” at www.irs.gov/pub/irs-pdf/p502.pdf

Examples of Ineligible Expenses

- Funeral Expenses • Household Help
- Cosmetic Surgery • Diaper Services
- Breast Augmentation • Maternity Clothes
- Hair Transplants/Removal • Face-Lifts
- Teeth Whitening • Electrolysis
- Ear Piercing • Bottled Water
- Vitamins and Supplements
- Custodial Care in an Institution
- Charges by LPN for Healthy Newborn Care
- Toiletries, Toothpaste and Related Items
- Marriage/Family Counseling
- Meals (for away medical treatment)
- Non-Therapeutic Massage Therapy
- Non-Prescribed Controlled Substances



Health Care Reimbursement Account

Letter of Medical Necessity

Certain expenses may be eligible for reimbursement with a letter of medical necessity from your physician. Without this documentation, your expense could be ineligible for reimbursement. The letter from your doctor should state specifically what illness or disease you are being treated for and the length of time you will be required to use this treatment.

Two examples are:

- Massage Therapy
- Weight-loss programs, including behavioral counseling, nutritional counseling, surgery, and pharmacology rendered by a licensed professional.

Meals, nutritional supplements, and health club dues are not typically reimbursable.

Advanced Reimbursement

You may submit claims for reimbursement that exceed your current account balance but are not in excess of your annual elections. The funds that you are reimbursed will be recovered as deductions continue to be deposited into your account throughout the plan year.

To obtain reimbursement from your FSA, you must complete a claim form and attach all itemized receipts from the service provider.

Receipts must include:

- Name of employee or dependent
- Dates of service (during the plan year)
- Name of service provider
- Charges incurred

Canceled checks, bankcard receipts, credit card receipts and credit card statements are **NOT** acceptable forms of documentation.

How to Enroll

Step 1

Carefully estimate your eligible health care expenses for the upcoming year. You can use the Expense Estimation Worksheet included in this guide to help you determine your annual health care expenses.

Step 2

Determine your contributions. Complete the appropriate section of the Enrollment Form, which instructs your company to set aside a certain amount of money for your expenses.

This amount will be contributed on a pre-tax basis from each of your paychecks to your Health Care Reimbursement Account. Remember that the amount you select will be set aside before any federal, Social Security, or, in most cases, state taxes are calculated.



Dependent Care Reimbursement Account

Introduction

The Dependent Care FSA allows you to pay for day care expenses for your qualified dependent/child with pre-tax dollars.

Eligibility Requirements

Eligible dependents must be claimed as an exemption on your tax return. These dependents can include stepchildren, grandchildren, adopted children, or foster children. In a divorce situation, you must have custody of the child in order for the child to be considered an eligible dependent.

Eligible dependents are further defined as:

- Under age 13
- or
- Physically or mentally unable to care for themselves, such as:
 - Disabled spouse
 - Disabled child
 - Elderly parents that live with you

For dependent care expenses to be eligible for reimbursement, you must be working during the time your eligible dependents are receiving care. If you are married, your spouse must be either:

- Working at the time services are rendered
- Full-time student for 5 months during the year
- Mentally or physically disabled and unable to provide care for himself or herself
- In the event of divorce, the non-custodial parent cannot make a claim unless they have custody 6 or more months per year

Contribution Limits

The annual maximum contribution may not exceed the lesser of the following:

- \$5,000 (\$2,500 if married filing separately)
- Lesser of you or your spouse's yearly wages
- The maximum is reduced by spouse's contribution to a Dependent Care FSA.

No Advanced Reimbursement

You will only be reimbursed for up to your account balance at the time you submit your claim. If you submit a claim for reimbursement that exceeds your account balance, the claim will be tracked by Mountain States Administrative Services and you will be automatically reimbursed once the balance in your account meets or exceeds the amount of the claim.

How to Receive Reimbursement

To obtain reimbursement from your Dependent Care Account, you must complete a claim form and attach itemized receipts that include:

- Name of Dependent Receiving Care
- Dates of Service
- Name of Service Provider
- Provider's Social Security number or Tax ID Number

*Canceled checks, bankcard receipts, credit card receipts, and credit card statements are **NOT** acceptable forms of documentation.*

You are responsible for paying your provider directly.



Dependent Care Reimbursement Account

Eligible Expenses

Eligible dependent care expenses are those expenses you must pay for the care of an eligible dependent, so that you and your spouse can work.

The care may be provided either in your home or at a licensed center outside of your home. If the care is provided in your home, then the service cannot be provided by a child of yours under age 19, by your spouse, or by your dependents. If the care is provided outside of your home, the facility must be in compliance with all applicable state and local regulations.

For a complete list of eligible expenses, see IRS Publication 503 "Dependent Care Expenses."

Examples of Eligible Expenses

- Nursery school or Private pre-school
- Day Camps or Before/after school care
- Nannies or Baby-sitters
- Sick child centers
- Licensed day care centers
- Day-care for an elderly dependent
- Day-care for a disabled dependent



Ineligible Expenses

Only those dependent care expenses that enable you and your spouse to work are eligible. Educational costs and weekend or evening-out baby-sitting do not qualify. Overnight camp expenses are also ineligible. You cannot be reimbursed for any dependent care expenses if your spouse does not work, unless your spouse is a full-time student or is disabled.

Kindergarten expenses are ineligible as an expense if kindergarten is primarily educational, regardless if it is half or full day, private or public state mandated or voluntary. Transportation, books, clothing, food, entertainment, and registration fees are ineligible if these expenses are shown separately on your bill.

Examples of Ineligible Expenses

- Registration fees
- Overnight camps
- Leave of absence or vacation
- Tuition expenses (including kindergarten)
- Baby-sitting for social events
- Food expenses (if separate from dependent care expenses)
- Care provided by children under 19 (or by anyone you claim as a dependent)
- Days your spouse does not work (although you may still have to pay the provider)

How to Enroll

Step 1

Carefully estimate your eligible dependent care expenses for the upcoming year. Then use the special Expense Estimation Worksheet to help you determine your total expenses for the year.

Step 2

Complete the appropriate section in the Enrollment Form, which instructs your company to set aside a certain amount of money for Dependent Care expenses. This amount will be contributed on a pre-tax basis from each of your paychecks to your Dependent Care Spending Account. Remember the amount you select will be set aside before any federal, Social Security, or, in most cases, state and local taxes are calculated.

Before Enrolling...

Use it or Lose it! - Forfeiting Funds

All pre-tax FSA funds that are not used for eligible expenses incurred during the plan year will be forfeited. This is mandated under the IRS "use it or lose it" rule. To avoid forfeiture, you should plan carefully.

At the beginning of a plan year, you will have a 90-day grace period to submit all of your claims for expenses incurred during the prior year.

Reimbursement Schedule

Claims are processed weekly.

No Transferring Funds

IRS regulations do not allow money to be transferred between reimbursement accounts. You cannot transfer unused funds from Health Care Accounts to Dependent Care Accounts or vice versa.

Expense Estimation Worksheet

This worksheet will help you determine your annual expenses for each reimbursement account. Good planning and careful estimating is the best way to take full advantage of your FSA.

Qualifying Health Care Expenses

Health care co-payments and co-insurance	\$ _____
Prescription drug copayments	\$ _____
Vision exams, glasses, contacts	\$ _____
Dental or Orthodontia costs	\$ _____
Routine exams, physicals, & immunizations	\$ _____
Over-the-counter drugs	\$ _____
Individual Counseling/Psychotherapy	\$ _____
Other allowable expenses	\$ _____
	\$ _____

Total Annual Health Care Expenses

Qualifying Dependent Care Expenses

Child day-care expenses	\$ _____
Preschool expenses	\$ _____
Summer day camp expenses	\$ _____
Adult day-care expenses	\$ _____
Other eligible expenses	\$ _____
	\$ _____

Total Annual Dependent Care Expenses

