

# A Flexible Benefits Plan

## Helps your paycheck buy more!

A Flexible Benefits Plan, sometimes referred to as a Cafeteria Plan, Flex Plan, or a Section 125 Plan, lets you set aside a certain amount of your paycheck into an account before paying income taxes. During the year, you have access to this account for reimbursement of expenses, such as healthcare and dependent daycare.

### Reimbursable expenses can include:

- **Deductibles, Co-pays, and Prescription Drugs**
- **Expenses not Covered by Insurance**
- **Dental Services & Orthodontics**
- **Eyeglasses, Contacts, Solutions & Eye Surgery**
- **Adult & Child Care Services**
- **And More!**

When you use tax-free dollars to pay for these expenses, you realize an increase in your spending power and substantial tax savings.

## Here's how it works...

Example: An employee makes \$2,000 each month and decides to participate in his/her employer's Flexible Benefits Plan. As a result, his/her insurance premiums and health and daycare expenses are paid with tax-free dollars, giving him/her an additional \$100 each month!

### Without the Plan

Gross Earnings	\$ 2,000
FICA, Federal, State Taxes	- \$ 500
Insurance Premium	- \$ 100
Health and Day Care Expenses	- \$ 300
<b>NET EARNINGS</b>	<b>\$ 1,100</b>

### With the Plan

Gross Earnings	\$ 2,000
Insurance Premium	- \$100
Health and Day Care Expenses	- \$300
Adjusted Gross Earnings	\$ 1,600
FICA, Federal, State Taxes	- \$400
<b>NET EARNINGS</b>	<b>\$ 1,200</b>

## It's as easy as...

- 1** Carefully read this material and choose which options make sense for you.
- 2** Determine how much you expect to spend during the year for each option.
- 3** Complete the Election Form and return it to your Human Resources Department.

# Step 1: Your Options

There are three **Flexible Benefits Plan** accounts in which you can participate.

## 1. Healthcare Reimbursement Account

This account reimburses you for healthcare expenses not covered by insurance. You set aside money, tax-free, through regular payroll deductions. During the year, you can be reimbursed directly from your account for those qualified healthcare services if those services are not covered by insurance.

*Common expenses that qualify for reimbursement are: doctor visits, deductibles, co-payments, prescriptions, mental health care, dental services and orthodontics, chiropractor services, eye exams, glasses and contacts.*

## 2. Dependent Care Reimbursement Account

This account reimburses you for daycare expenses for eligible children and adults. Through regular payroll deductions, you can set aside part of your income to pay for these expenses on a tax-free basis.

To qualify, your dependents must be:

- a child under the age of 13, or;
- a child, spouse or other dependent who is physically or mentally incapable of self-care and spends at least 8 hours a day in your household.

*Qualified expenses for reimbursement include: adult and child daycare centers, preschool and before/after school care.*

## 3. Premium Savings Account

This account allows you to pay for your employer-provided health and other insurance premiums with tax-free dollars.

# Step 2: Determine Your Reimbursable Expenses

By completing the following information, you can calculate your annual reimbursable expenses. Take into consideration the services to be provided during the upcoming plan year for you and your dependents.

## Healthcare Expenses

Medical (1)		Vision (2)		Dental (3)	
Deductibles	\$ _____	Exams	\$ _____	Routine Check-ups	\$ _____
Co-payments	\$ _____	Eye Surgery	\$ _____	Fillings/Crowns	\$ _____
Doctor Visits	\$ _____	Lenses/Frames	\$ _____	Orthodontics	\$ _____
Prescriptions	\$ _____	Contacts/Solutions	\$ _____	Other	\$ _____
Other	\$ _____	Other	\$ _____		
<b>Total (1)</b>	<b>\$ _____</b>	<b>Total (2)</b>	<b>\$ _____</b>	<b>Total (3)</b>	<b>\$ _____</b>

## Dependent Daycare Expenses

Children	\$ _____
Adults	\$ _____
<b>Total (4)</b>	<b>\$ _____</b>

## Estimated Annual Expenses

Total Healthcare Expenses (Add total (1) Medical + total (2) Vision + total (3) Dental.)	\$ _____
Total Dependent Daycare Expenses (Total 4)	\$ _____
<b>Total Expenses</b> (Add total Healthcare expenses + Total Dependent Daycare expenses.)	<b>\$ _____</b>

## Wage Deferral

The amount of money you wish to set aside in the reimbursement account is not subject to any taxes at any time.

Social Security	7.65%
State Taxes	0-6%
Federal Taxes	0-28%

## Step 3: Complete the Election Form

Using the information you calculated in Step 2, complete the Election Form and return it to your Human Resources Department.

### Eligible Expenses

#### Health Care Reimbursement Account

The IRS allows the following expenses to be reimbursed under the Dependent Care Reimbursement Account. Dependent care expenses must be incurred to allow the employee and/or their spouse to be employed outside of the home. **This list is not inclusive.**

- Acupuncture
- Ambulance Hire
- Anesthetist
- Artificial Limbs and Teeth
- Automobile Modifications (hand controls, special equipment, mechanical lifts)
- Blood Donor
- Braille Books and Magazines
- Chiropractic Services
- Contact Lenses, Saline Solution, Enzyme Cleaner
- Contraceptives (prescribed only)
- Deductible, Coinsurance, Co-payment
- Dental Services (dentures, crowns, bridges, fillings, braces, oral surgery, extractions)
- Drugs (legal - prescription only or insulin)
- Elastic Hose (medically prescribed)
- Examination, Physical (non-employment related)
- Eye Examination
- Eyeglasses and Sunglasses (prescription)
- Fertility Expenses
- Guide Dog
- Halfway House Residency
- Healing Services
- Hearing Devices/Batteries
- Laetrile (when prescribed by a doctor)
- Lamaze Class (mother-to-be only)
- Lifetime Care at a Medical Facility
- Lip Reading Lessons for the Deaf
- Midwife
- Orthopedic Shoes, Custom Molded Arch Supports
- Over-the-Counter Medications/Supplies (i.e., cold medicines, pain relievers, allergy medications, etc..)
- Oxygen Equipment
- Pre-existing Condition Expense (medical)
- Patterning Exercises
- Physical Therapy
- Prosthesis, Splints, Casts, Crutches
- Psychiatric Care
- Radial Keratotomy/Laser Eye Surgery
- Rental of Medical or Healing Equipment
- Retirement Home Fees (portion allocable to medical care)
- Sanitarium or Rest Home
- Sex Therapist
- Smoking Cessation Program
- Special TV Set to Receive Closed Caption
- Speech Therapy
- Sterilization
- Support Devices (including special mattress and board for arthritis)
- Telephone for the Deaf
- Transportation Expenses Related to Illness
- Vaccinations/Immunizations
- Wigs (hair loss due to disease)

### Eligible Expenses

#### Dependent Care Reimbursement Account

The IRS allows the following expenses to be reimbursed under the Dependent Care Reimbursement Account. Dependent care expenses must be incurred to allow the employee and/or their spouse to be employed outside of the home. **This list is not inclusive.**

- Before and after school care for a dependent under age 13 that lives with you.
- Day care facility fees for a dependent under age 13 that lives with you.
- In-home baby-sitting fees (must be claimed by care provider) for a dependent under age 13 who lives with you.
- Local day camp for a dependent under age 13 who lives with you.
- Care of a dependent who lives with you and is physically or mentally incapable of caring for himself.

# Ineligible Expenses

## Health Care Reimbursement Account

The IRS does not allow the following expenses to be reimbursed under the Health Care Reimbursement Account. **This list is not inclusive.**

- Breast Pumps
- Canceled Appointment Fees
- Contact Lens Insurance
- Cosmetic Surgery/Procedures (i.e., electrolysis, hair transplants, liposuction, face lift operations)
- Diaper Service
- Discounts/Write-offs/Late Payment Fees
- Exercise Equipment\*
- Hair Loss Medication
- Health Club Dues\*
- Herbs & Herbal Medicines
- Insurance Premiums (Group or Individual)
- Marriage Counseling
- Massage Therapy\*\*
- Maternity Clothes
- Retin A\*
- Rogaine\*
- Sonic Toothbrushes
- Special Foods (not for nutritional purposes)
- Teeth Bleaching
- Toiletries (deodorant, toothpaste)
- Viagra\*
- Vitamins/Nutritional Supplements
- Weight Loss Program\*

\*Eligible only with a physician's certification identifying the medical condition and length of treatment program. Retin A is reimbursable when prescribed by a physician for the treatment of acne, but not wrinkles.

\*\*Eligible only with a physician's certification identifying the physical nature of the medical condition and length of treatment program. Massage therapy for the sole purpose of tension or stress relief does not qualify as an eligible expense.

# Ineligible Expenses

## Dependent Care Reimbursement Account

The IRS does not allow the following expenses to be reimbursed under the Dependent Care Reimbursement Account. **This list is not inclusive.**

- Clothing
- Entertainment Expenses
- Evening Baby-sitting
- Field Trips
- Kindergarten Tuition
- Late Fees
- Lesson Fees (i.e., dance, piano)
- Lunches/Snacks
- Over Night Day Camp
- Transportation

# Questions & Answers

## **What is a Flexible Benefits Plan?**

A benefit provided by your employer that lets you set aside a certain amount of your paycheck into an account before paying income taxes. Then, during the year you can be directly reimbursed from your account for qualified healthcare and daycare expenses.

## **Why should I participate in the Healthcare Reimbursement Account when I already have health insurance?**

This account is used to pay for expenses not covered by insurance. For example – annual physicals, co-payments, eye exams, glasses, orthodontics, prescription drugs, and hospital care to name a few.

## **If I set aside part of my pay, won't I make less money?**

No. Your net take-home pay will increase by the amount of taxes you did not pay. An example of how it may work for you is detailed on the inside of this brochure.

## **Can I change my contributions during the year?**

Only if you have a change in status such as: marriage, birth, adoption, or a change in your, your spouse's, or your dependent's employment status.

## **How does the Dependent Care Reimbursement Account differ from the federal tax credit?**

The Dependent Care Plan reduces your taxable income. The dependent care tax credit reduces the already calculated tax liability. A tax advisor can help you determine which method is more advantageous to you. Keep in mind that you cannot claim the same expenses under both the Dependent Care Plan and the tax credit. Your available tax credit will be reduced dollar for dollar by any amount you claim from a Dependent Care Plan.

## **How do I get reimbursed for my expenses?**

All requests for which insurance benefits are available must include the Explanation of Benefits (EOB) form from the insurance carrier(s) along with a signed Flex Claim Form. If you have other insurance through your spouse, you must attach EOB's from **both** insurance carriers. You may submit an itemized bill from the provider of service for charges incurred for which no insurance benefits are available. Balance forward statements and canceled checks are not acceptable for tax purposes and therefore cannot be used for flex reimbursement. All dependent care reimbursement requests must include a completed and signed Flex Claim Form and a signed receipt from your daycare provider. The receipt must include the dependent name(s), date of service, name, address, taxpayer identification number, and dollar amount charged.

## **Will the plan reimburse for future or anticipated expenses?**

No. Charges must be incurred and processed through any and all available insurance benefits before you may be reimbursed from your flex account.

## **What is automatic crossover of claims?**

The automatic cross-over feature allows participants with no other form of medical, dental or vision coverage for themselves or any of their dependents, to elect to have their Healthcare Reimbursement claims automatically reimbursed by their Flex account after their claims have been processed by the DEW Benefit Analyst. If you or your children are also insured through your spouse, you may not elect automatic crossover. When automatic crossover is elected, deductible, coinsurance and most ineligible amounts will crossover to Flex.

## **Do I have to wait for the money to be deposited in my account in order to make a claim for reimbursement?**

The annual amount you have allocated for the Healthcare Reimbursement Account is available to you at any time throughout the plan year. The amount available to you from your Dependent Care Reimbursement Account is the amount you have contributed to date.

## **How will I know how much money I have left in my account?**

You will receive a statement at the end of each quarter notifying you of the amount remaining in your account. Additionally, an Employee Payment Report will be attached to each reimbursement check which will summarize your remaining benefit.

## **Can I transfer money from the Health Care Reimbursement Account to the Dependent Care Reimbursement Account or vice-versa?**

No. The IRS rules that govern these accounts will not allow you to transfer money from one account to another.

## **What if I don't use all of the money I set aside in my accounts?**

Carefully review your estimated expenses before making the decision to participate. Per IRS rules, any contributions that are not used during the plan year will not be paid to you and they cannot be used in a later plan year.

## **What happens if I terminate my employment?**

You will be able to request reimbursement for healthcare and daycare expenses for services provided prior to your termination.

**Note: The Flex Master Plan Document determines the exact benefits and requirements of the Flexible Benefits Plan.**



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# SIGN UP NOW FOR A PAY INCREASE

Through a Flexible Benefits Plan

