



**FLEXIBLE SPENDING ACCOUNTS
WITH THE FLEXCARD®**

MAKING EVERY SINGLE DOLLAR GO FURTHER



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WE DELIVER MORE THAN JUST BENEFITS.

The Healthcare Flexible Spending Account

The Healthcare Flexible Spending Account (HCFSAs) provides a way to save significant amounts of money on your healthcare expenses. You can contribute to the account on a pre-tax basis and use the money to pay for eligible healthcare expenses during the year. The result is that you'll save federal income tax, state income tax and Social Security tax on the amount you contribute to the account. The more you contribute – the more you can save!

Many people find it a cost-effective way to pay for health plan deductibles/co-payments, eyeglasses, contact lenses, orthodontics, and other health-related expenses that are not covered by insurance. Even if you do not itemize deductions on your tax returns, you can take advantage of this tax break by using the Healthcare Flexible Spending Account.

Who Should Enroll?

The Healthcare Flexible Spending Account can be beneficial for anyone who has eligible out-of-pocket medical, dental, vision, or hearing expenses beyond what their insurance plans cover. They can save by paying for these expenses with tax-free dollars.

Is This a Good Program for Me?

To determine if the HCFSAs can save you money, you'll need to estimate how much you and your dependents might spend on eligible healthcare expenses during the upcoming year. The worksheet provided later in this brochure can help you estimate the total amount you might spend on eligible expenses. It can also help you estimate how much money you might save in taxes for the year. The maximum amount you can contribute in 2011 is \$8,000. Once you see how much you could save in taxes, you can decide whether to enroll in the HCFSAs during the Open Enrollment period (October 15 – November 15). It is important to plan carefully, because any money in your account which is not spent on eligible expenses by the end of the year will be lost. To help ensure they don't lose money, some people contribute less than they think they will spend.

How Does It Work?

When you enroll in the HCFSAs during Open Enrollment, you'll specify a total amount to be contributed to your HCFSAs account over the course of the next calendar year. Equal amounts will be deducted from each of your regular paychecks next year. As you use this money to pay for healthcare expenses, you'll be saving the taxes on that money. You can elect to contribute up to \$8,000 to the HCFSAs in 2011.

During the year, when you incur eligible expenses (please see listing on page 3) you'll have two ways to get reimbursed. The simplest and fastest way is to utilize your FlexCard at the point-of-purchase. Your provider will be paid directly from your HCFSAs account. If you prefer, you can file a paper claim for reimbursement by mail or fax, and you can be reimbursed by direct deposit or check. The reimbursement form is available at: www.flexcorp.com, under the Participant link. The entire annual amount you have elected to contribute for the year will be available for your use at the beginning of the year. So, if you were to encounter a significant eligible expense in January, you could use your entire annual contribution to pay for it then.

Can I Change My Election?

You can only change your election during the year if you have a qualifying status change. This includes changes in your marital status, number of tax dependents, employment status, dependent eligibility, or a legal judgment, decree or order. However, any change in your election must be related to the change in status and consistent with the event. All requests for changes must be submitted to the Benefits Office for approval within 30 days of the status change.

What is the Primary Advantage of the Healthcare Flexible Spending Account?

The primary advantage of the HCFSAs is the significant tax savings you can achieve, since the amount you contribute is not subject to federal income tax, state income tax, or Social Security taxes. This could mean a tax savings of 15% to 40% depending upon your tax bracket. As a result of your participation in the plan, you can actually increase your spendable income.

How You Can Save Money...

Let's look at an example. As shown below, Ben E. Fits makes \$26,000 a year, and elects to contribute \$500 to his Healthcare Flexible Spending Account. He then files eligible claims for the \$500 in his account. As the example shows, Ben E. Fits will save \$139 in taxes. Large, predictable healthcare expenses, like corrective eye surgery or a child's braces, provide the best opportunities to save with the HCFSAs. Imagine how much you could save, if you had eligible expenses of \$1,000, \$3,000, or \$8,000!

	WITHOUT AN HCFSAs	WITH AN HCFSAs	TAX SAVINGS
Annual Pay	\$26,000.00	\$26,000.00	
Out-of-Pocket Medical Expenses (Pre-Tax)	\$0.00	\$500.00	
Taxable Income	\$26,000.00	\$25,500.00	
Federal Tax (Based on 15%)	\$3,900.00	\$3,825.00	\$75.00
State Tax (Based on 5.3%)	\$1,378.00	\$1,352.00	\$26.00
FICA Tax (Based on 7.65%)	\$1,989.00	\$1,951.00	\$38.00
Out-of-Pocket Medical Expenses (Post-Tax)	\$500.00	\$0.00	\$0.00
Annual Tax Savings			\$139.00

ELIGIBLE HCFA EXPENSES

HEALTHCARE/MEDICAL

Prescription Birth Control
Prescription Drugs

OBSTETRIC SERVICES

Mid-Wife Expenses
OB/GYN Exams
OB/GYN Prepaid
Maternity Fees

PRACTITIONERS

Allergist
Chiropractor
Christian Science
Dermatologist
Homeopath
Naturopath
Ophthalmologist
Optometrist
Osteopath
Physician
Psychiatrist
Psychologist

OTHER MEDICAL TREATMENTS/ PROCEDURES

Acupuncture
Alcoholism (inpatient treatment)
Eye Examinations
Eyeglasses
Laser Eye Surgery
Prescription Sunglasses
Radial Keratotomy
Ambulance Services
Arches/Orthopedic Shoes
Contraceptives
Counseling
Crutches

Guide Dog (for visually/hearing impaired person)
Hearing Aids & Batteries
Hospital Beds
Learning Disabilities (special school/teacher)
Medical Alert Bracelet or Necklace
Oxygen Equipment
Prescribed Medical and Exercise Equipment
Prosthesis
Splints/Casts
Support Hose (if medically necessary)
Syringes
Transportation Expenses (essential to medical care)
Wheelchairs
Wigs (hair loss due to disease)

VISION SERVICES

Artificial Eyes
Contact Lenses

OTHER SERVICES

Drug Addiction
Hearing Exams
Hospital Services
Infertility
In-vitro Fertilization
Norplant Insertion or Removal
Patterning Exercises
Physical Examination (not employment related)
Physical Therapy
Pregnancy Tests
Smoking Cessation Programs
Speech Therapy
Sterilization
Transplants (includes organ donor)
Treatment for the Disabled (therapy, equipment etc.)
Vaccinations/ Immunizations

Vasectomy
Well Baby Care

OTHER MEDICAL EQUIPMENT

Abdominal/Back Supports

DENTAL SERVICES

Crowns/Bridges
Dental X-Rays
Dentures
Exams/Teeth Cleaning
Extractions
Fillings
Gum Treatments
Oral Surgery
Orthodontia/Braces

INSURANCE - RELATED ITEMS

Co-pay Amounts
Deductibles
Pre-existing Condition Expenses (medical)
Private Hospital Room Differential
Lab Exams/Tests
Blood Tests
Cardiographs
Diagnostics
Laboratory Fees
Metabolism Tests
Spinal Fluid Tests
Urine/Stool Analyses
X-Rays
Medications
Aspirin, if plan allows
Insulin
Nicotine Gum or Patches, if plan allows

INELIGIBLE HCFA EXPENSES

The IRS does not allow the following expenses to be reimbursed under the Healthcare Flexible Spending Account. Expenses to promote general health are not eligible expenses.

Retin-A
Rogaine
Student Health Fees
Swimming Lessons
Tattoo Removal
Teeth Whitening/Bleaching
Toiletries, Toothpaste, etc.
Varicose Vein Treatments
Veneers
Hair Transplants
Health Club Dues
Herbs & Herbal Medicines

Homeopathic Drugs
Illegal Operations or Treatment
Insurance Premiums
Lamaze Class
Marriage Counseling
Massage Therapy
Maternity Clothes
Personal Trainer
Prescription Drug Discount Program Premiums
Breast Pumps
Calcium Supplements
Canceled Appointment Fees

Contact Lens Insurance
Cosmetic Surgery/Procedures
Custom Fitovers (clip ons)
Dancing Lessons
Diaper Service
Discounted Fees/Write-offs
Electrolysis
Exercise Equipment
Eyeglass Insurance
Fitness Programs
Hair Loss Medications

These lists are not meant to be all-inclusive. Other expenses not specifically mentioned may also qualify. For additional information, please refer to IRS Publication 502 Medical and Dental Expenses that is available at: www.irs.gov/pub/irs-pdf/p502.pdf. However, two points to be aware of are: 1) Insurance premiums are not reimbursable under the Healthcare Flexible Spending Account (HCFA), and 2) The reimbursement under a HCFA is based upon when the expense was incurred; i.e., the date of service, not the date paid. To be eligible, the service has to be provided during your plan year, which is the calendar year.

The Dependent Care Flexible Spending Account

The Dependent Care Flexible Spending Account (DCFSA) provides a way to save significant amounts of money on dependent care expenses. You can contribute to the account on a pre-tax basis and use the money to pay for eligible dependent care expenses during the year. The result is that you'll save federal income tax, state income tax and Social Security tax on the amount you contribute to the account. The more you contribute – the more you can save!

Who Should Enroll?

The Dependent Care Flexible Spending Account is generally beneficial to anyone who has a qualified dependent and pays for eligible dependent care expenses. They can save by paying for these expenses with tax-free dollars.

How Does It Work?

When you enroll in the DCFSA during Open Enrollment, you'll specify a total amount to be contributed to your DCFSA account over the course of the next calendar year. Equal amounts will be deducted from each of your regular paychecks next year. As you use this money to pay for eligible dependent care expenses, you'll be saving the taxes on that money.

Just like the Healthcare FSA, you can use your FlexCard to pay for eligible dependent care services, or you can send in claims and be reimbursed. The DCFSA is also subject to the "use it or lose rule," so you should be careful as you estimate your expenses for the year.

However, there are some differences in the DCFSA. The amount to be deducted from your pay cannot be greater than your income or the income of your spouse, whichever is smaller. The maximum annual DCFSA contribution allowed by the IRS is \$5,000 (\$2,500 each for married individuals filing separate returns). Unlike the HCFSA, your annual contribution to the DCFSA is available for your use as it is

deducted from your pay over the course of the year. You cannot be reimbursed more than has actually been deducted from your pay.

Is This a Good Program for Me?

Dependent Care expenses are normally quite predictable. So, it should be fairly easy to estimate your dependent care expenses for the upcoming year. If you will have eligible dependent care expenses (see Eligible Expenses below) next year, you could easily save the taxes on the amount you expect to spend by using the DCFSA.

Who is a Qualified Dependent?

Dependents are defined as your children under 13 years of age, or your children 13 or over who are physically or mentally unable to care for themselves. Your spouse or your elderly parent residing in your home, who is physically or mentally unable to care for himself or herself, also qualifies.

What Expenses Are Eligible?

Dependent Care expenses incurred which allow you (and your spouse, if married) to work, look for work or attend school as a full-time student are eligible. These are the types of expenses which qualify:

- Day care facility fees (excluding transportation, lunches, and educational services)
- Before-school and after-school care
- Local day camp
- In-home babysitting fees (income must be claimed by your care provider)
- Nursery school and preschool (preschool expenses are eligible if the amount paid for schooling cannot be separated from the cost of care)

Note: Healthcare expenses for dependents cannot be reimbursed through the DCFSA.

Who Is an Eligible Provider?

You may use any care provider you choose, except your child who is claimed as your dependent and is under the age of 19. The care provider must meet the requirements of your state. The services may be as informal as care provided by your neighbor, however

the provider must claim the money received for services as income when determining their taxes for the year. You will need to obtain the provider's Federal Identification/ Social Security Number for inclusion on your tax return.

Can I Change My Election?

Like the HCFSA, you can only change your Dependent Care FSA election during the year if you have a qualifying status change. This includes changes in your marital status, number of tax dependents, employment status, dependent eligibility, or a legal judgment, decree or order. However, any change in your election must be related to the change in status and consistent with the event. All requests for changes must be submitted to your Benefits Office for approval within 30 days of the status change.

What About the Federal Tax Credit for Dependent Care?

If you are paying for day care expenses now, you are probably paying in taxable dollars and eligible for the Federal Tax Credit for Dependent Care when you file your taxes. If you use the Dependent Care Flexible Spending Account, you can pay these expenses in pre-tax dollars throughout the year. Participation in the DCFSA will reduce, or in some cases eliminate, your ability to use the Federal Tax Credit for Dependent Care. However, for most taxpayers the DCFSA results in a greater tax savings. If you participate in DCFSA, IRS Form 2441 must be completed as part of your tax return.

What Is the Primary Advantage of the Dependent Care Flexible Spending Account?

The primary advantage of the DCFSA is the significant tax savings you can achieve, since the amount you contribute is not subject to federal income tax, state income tax, or Social Security taxes. This could mean a tax savings of 15% to 40% depending upon your tax bracket. As a result of your participation in the plan, you can actually increase your spendable income.

Instant Access To Your FSA With The FlexCard

Saving money with the FSA is faster and easier with the FlexCard! The FlexCard works much like a MasterCard® debit card. The amount of your annual contribution to the FSA is loaded into the card. When you incur an eligible FSA expense, you simply present the card for payment at the point-of-service and the fees are deducted directly out of your FSA. Your Flexcard will work for both Healthcare and Dependent Care Flexible Spending Accounts. Please keep in mind the DCFSA does not allow your reimbursement to exceed your year-to-date contribution. (Receipts for all expenses paid via the FlexCard should be saved in the event you are asked for claim verification).



Planning - The Key To FSA Success

At the end of the plan year any unused dollars left in your FSA account will not be refunded to you. This is easily overcome with some simple planning before deciding what your annual FSA contribution will be. Plus, because you have Online Access to your FSA, 24-hours a day / 7-days a week, you'll always know how much is in your account and how long you have to spend it. Use the following as a guideline when determining what your annual contribution will be.

Worksheet for Estimating Eligible FSA Expenses	
Co-Pays and Deductibles	\$
Prescriptions Co-Pays and Deductibles	\$
Other Medical Expenses (Lab Fees, Chiropractor, Blood Pressure & Diabetes Testing Supplies, Fertility & Obstetrical Fees, etc.)	\$
Dental Care (Office Visits, Orthodontia, Root Canals, Crowns, etc.)	\$
Vision Care (Eye Exams, Eyeglasses, Contact and Solutions, Eye Corrective Surgery, etc.)	\$
Dependent Care (Daycare Expenses and Elderly Care Expenses)	\$
Total Estimated Healthcare and Dependent Care Expenses:	\$

Once you have calculated your expenses, multiply that amount by 25% (an average tax bracket) to see the estimated annual tax savings you will receive by participating in the Flexible Spending Account benefit.

Estimating Tax Savings	
Total Estimated Healthcare and Dependent Care Expenses:	\$
Multiply by 25% (conservative tax estimate)	\$
Estimated Tax Savings	\$

When can I start using the money in my FSA account?

You can access your entire year's worth of Healthcare FSA contributions at the start of the plan year in January. Since the plan year starts on January 1, you could get your child's braces in January and be reimbursed for the entire out-of-pocket expense from your HCFSA right away, before your entire annual contribution had been made. Please keep in mind the DCFSA does not allow your reimbursement to exceed your year-to-date balance. You can only be reimbursed for dependent care expenses after the money has been deducted from your pay.

What happens to my FSA contributions if I leave or am terminated from my job?

If your employment ends for any reason and you have a positive balance in your FSA account, you could continue to participate in the plan using your COBRA rights. If you do not exercise those rights, the balance remaining in your FSA will be forfeited.

Do I have to fill out an application for a FlexCard?

No. The University will provide the information necessary to produce your FlexCard.

How can I access my account information?

You can log in anytime to your FSA account to view your account balance, account activity and transaction history. You may also call FlexCorp directly at 888-505-4557 to speak with a customer service representative.

Will I be able to be reimbursed for over-the-counter (OTC) medicines and medical supplies?

Due to the healthcare reform legislation, starting in 2011, most OTC medicines will only be reimbursable if prescribed by your doctor. Many OTC medical supplies will still be eligible for reimbursement without a prescription. See examples below.

OVER THE COUNTER MEDICATION REIMBURSEMENT CHANGES

Reimbursement of OTC Items

The following are examples of some of the OTC medical supplies that will remain eligible for reimbursement without a doctor's prescription and will be available for purchase using your Healthcare FSA FlexCard:

- Band Aids
- Birth Control
- Braces
- Contact Lens Supplies
- Denture Adhesives
- Diagnostic Tests & Monitors
- Elastic Bandages & Wraps
- First Aid Supplies
- Insulin & Diabetic Supplies
- Ostomy Products
- Reading Glasses
- Wheelchairs, Walkers, Canes

The following types of OTC medicines will only be eligible for FSA reimbursement with a doctor's prescription and thus, will not be available using your FlexCard. A reimbursement form will have to be submitted with a copy of the prescription.

- Acid Controllors
- Allergy & Sinus
- Antibiotic Product
- Anti-Diarrheals
- Anti-Gas
- Anti-Itch & Insect Bite
- Baby Rash Ointment
- Cold Sore Medication
- Cough, Cold & Flu
- Digestive Aids
- Laxatives
- Motion Sickness
- Pain Relief
- Respiratory Treatments
- Sleep Aids & Sedatives

Please note that these lists are not all-inclusive.



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FLEXIBLE CORPORATE PLANS, INC.

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