

Getting the Most Out of Your Flexible Spending Account (FSA)

*Information for new and present participants in:
Dependent Daycare Expense Flexible Spending Accounts
Health Care Expense Flexible Spending Accounts*



Should I participate in a Flexible Spending Account?



Why do so many people participate in FSAs?

Flexible spending accounts (FSAs) are simply the best tax break available to most of us. You cannot afford to ignore FSAs. You save the income/withholding taxes (23%-46%) on every expense you pay through the flex accounts, depending on your tax bracket. It's the simplest way to convert tax dollars into spendable cash. FSAs can save you thousands of dollars over the long term.

How do I enroll?

First figure out the amount of expenses you're sure you will incur in the upcoming plan year for either the Health Care or Dependent Daycare Flexible Spending Account-or both! (It's OK to be conservative). Use the helpful worksheets on pages 7 and 9. Keep your booklet for reference and complete the paper or electronic (if applicable) enrollment form-please print! Hand it in by the deadline and depending upon your employer's plan you'll receive a confirmation statement before the beginning of the plan year. Enjoy your extra spendable cash!

When do I receive my reimbursement check?

Checks for health care expenses are processed after five business days of receipt at Benesyst. You may withdraw up to your annual election (the amount you elect at the beginning of the plan year) at any time. Daycare expenses will be processed within two business days of receipt. You may only withdraw up to the total of your deposits to date, but we encourage you to submit for the full amount charged and we will do the bookkeeping for you.

Note: Your employer may arrange a reimbursement schedule other than that described above. Also, your employer may offer direct deposit. Please refer to your enrollment materials for more detail.

I'm interested but I have questions...

In survey studies of flexible spending account plan participants, people generally have three main concerns about flex. Here they are, along with the solutions we've found to work best for each of them:

1. "I heard flex is a "use or lose" plan. I'm afraid of losing money!"

With our administrative process, the number of people who actually lose anything at all is less than 2%. The simple way to avoid this is to set aside money only for items you are sure to purchase this year, such as medically necessary prescription drugs, prescription glasses, prescription contact lenses, etc. Depending upon your employer's plan you may even be reimbursed for over-the-counter drugs (an OTC Drug Guide is available at www.benesyst.NET)! Inside this booklet are lists of many more allowable expenses.

2. "How long does it take to get reimbursed?"

Your employer selected the fastest claims payer in the U.S. Benesyst's turn around time is two business days or less after date of receipt for Dependent Daycare Expense Reimbursement and five business days or less after date of receipt for Health Care Expense Reimbursement.

3. "How do I know how much money I have remaining in my account?"

For immediate access to your account information, simply log on to www.benesyst.NET or call the toll-free Benesyst InfoLine (1-800-670-7131) to receive your personal account balance and claim status information.

Flexible Spending Accounts are a simple way to save significant tax dollars.

What's a Flexible Spending Account (FSA)?

Flexible Spending Accounts (FSAs) provide a simple way to increase spendable income. FSAs allow you to pay for expenses or medical care (such as out-of-pocket medical costs) or for dependent daycare costs with gross (pre-tax) instead of net (after-tax) income. This leaves a smaller amount of income subject to taxation. When you pay less in income taxes your spendable income increases.

There are separate Flexible Spending Accounts (FSAs) for health care expenses and dependent daycare expenses. Once you calculate how much out-of-pocket expenses you expect to have for health care and/or dependent daycare costs over the plan year, you can elect to contribute this amount, before taxes, to your FSA and have the FSA reimburse you for the expense. The annual amount (your "election") is spread out evenly over the plan year by dividing it over the number of pay checks for the year. This fractional amount is deposited into your FSA with each pay check. Provider statements, receipts or insurance EOBs containing allowable expenses may then be submitted and paid (or reimbursed) directly from Benesyst, the Flexible Spending Account administrator.

What's the advantage of using pre-tax dollars to pay for these expenses?

Increased spendable income: by using pre-tax dollars, you are able to legally stretch your hard-earned money. If you pay 25% in taxes (Federal & State Income Taxes and Social Security), you would have \$0.75 to spend out of every \$1.00 you earned. Through your personal Flexible Spending Account, a dollar earned and deposited in your account is worth a dollar. This means you save 25% and, in that case, the savings are greater.

What kind of expenses may I pay for through my FSA? There are a wide variety of eligible expenses. FSAs are authorized and regulated by section 125 and 129 of the Internal Revenue Code. Healthcare FSAs follow the definition of medical care as state in Code #213. Healthcare FSAs do not follow Publication 502; please see the lists in this book for procedures/items that are and are not reimbursable.

How does the money flow through the FSA to me?

Simply stated, the amount you elect to set aside for expenses is transferred, before taxes, into your personal Flexible Spending Account. When you need it, and as often as you like, you may request reimbursement by:

- 1. Filling out an Easy Reimbursement Request Form and submitting it by mail or fax with a copy of your itemized receipt, or Explanation of Benefits (EOB) to Benesyst.*
- 2. Submitting a claim online to Benesyst using Benesyst's Online FSA Claim Wizard. This allows you to submit expenses online, providing instant feedback on whether an expense or purchase is eligible for reimbursement.*

A check will promptly be sent to your home for eligible expenses you, your spouse or dependents have incurred. In some cases, you may have a convenient debit card to use.

How much can I save?

Go to www.Benesyst.NET and click on Tax Savings Calculator under Quick Resources.

Earnings Illustration: Tax savings Using a Flexible Spending Account	Without an FSA	With an FSA	Advantages
Gross Pay	\$40,000	\$40,000	
Contribution to FSA Before Tax	\$0	-\$3,000	Contribution is Pre-tax
Taxable Income	\$40,000	\$37,000	Less Taxable Income
Estimated Taxes	-\$6,233	-\$5,387	Less Paid in Taxes
Income After Taxes	\$33,767	\$31,613	
Dependent/Health Care Expenses	-\$3,000	-\$3,000	
Tax Free Plan Reimbursement	\$0	\$3,000	Tax Free
Net Income After Taxes & Expenses	\$30,767	\$31,613	More Money In Your Paycheck!

Net Savings by Participation in FSA is \$846

How do I verify my Flexible Spending Account balance? Is there Internet or phone access?

For immediate access to this information, you can view your personal account and claim status information on-line at www.benesyst.NET. Using a touch-tone telephone, you may use the toll free Benesyst InfoLine (1-800-670-7131) to receive personal account information as well as general information on FSAs. Your account and claim status information on both the web site and the InfoLine are available 24 hours a day. Each time you receive a reimbursement check, your balance will be updated and, if applicable, printed on your check stub or direct deposit voucher. In addition, if your employer chooses, you may receive quarterly or other statements reflecting the activity on your account.

Once I have elected to participate, may I change my mind or the amount of the deposit?

Your election to participate may only be made once a year and the amount may not be changed unless there is a change due to, and consistent with, a change in family status. A qualified change in family status must be reported within 30 days of the change and includes:

- Marriage, divorce, death of a spouse, legal separation or annulment;
- Change in the number of dependents, including birth, adoption, placement for adoption, court-documented change in custody arrangement, or death of a dependent;
- Any of the following for you, your spouse or dependent: termination or commencement of employment, a strike or lockout, commencement or return from FMLA, or any change in employment status that affects eligibility for benefits;
- One of your dependents satisfies or ceases to satisfy the requirements for coverage due to change in age, student status, or similar circumstances;
- A change in daycare providers or rates charged by the provider (must not be a relative) which would be a significant increase or decrease.

Note: A rate or benefit change is not a qualified change in family status when the daycare provider is a relative of the participant or a relative of the participant's spouse.

How do I request reimbursement?

You can submit claims online, by toll-free fax or by mail. In some cases you may receive a debit card which can be used similarly to a credit card for eligible expenses. You can submit claims by fax or mail, once you are enrolled, by submitting an Easy Reimbursement Request Form. The Reimbursement Request Forms are available on our web site after you have logged in, or from your HR Department. Simply complete the form; itemize each expense, attach clear copies of your supporting documentation, sign the form (very important) and fax or mail it to Benesyst. It is very important that you keep copies or the originals of all submitted materials. You can track all submitted claims through our online portal. Be sure to set up your user name and password! All claims are posted on the system. We offer a convenient box listing the status of the five most recent claims received by Benesyst.

You will also find our Online FSA Claim Wizard that will literally guide you along, providing instant feedback on whether an expense or purchase is eligible for reimbursement - while in the process of entering the claim. The system will then allow you to print a bar-coded cover sheet under which you can fax your documentation corresponding to what you entered online. You may also upload images of documentation directly.



Using your Flexible Spending Account

It's important to save your receipts!

Acceptable documentation includes copies of any receipt or statement containing the provider's name or store name, a clear description (itemized) of the service provided, the actual date of the purchase or service (not the billing date) and the amount of the eligible expense. A cash-register tape with itemized descriptions of over-the-counter drug expenses is required. [Other documentation includes prescription drug receipts (showing Rx name), and office visit copay receipts. An Explanation of Benefits (EOBs) from an insurance company-which reflects "patient responsibility"-is necessary when any health or dental plan partially covers the expense.] If there is no insurance, itemized bills showing the service and dates are acceptable as long as you indicate on the itemized bill that there is no insurance coverage. A provider's statement showing only "balance due," blank receipts with only a date and amount (with no description of service), cancelled checks, or credit card receipts/statements are not acceptable documentation.

For reimbursement of on-going service (for example, 12 weeks of therapeutic massage prescribed by a physician due to an injury), a copy of a physician's note or Rx letter describing the diagnosis, medical necessity and prescribing the service for the defined period of time must accompany each reimbursement request to avoid processing delays or denial of the claim. The physician's note is good for the plan year only.

In order to be reimbursed, the service must have been rendered in your current plan year. Reimbursement is based on the date of service, not the date when payment is made. Therefore the service date must be on each receipt or statement. Paying for future services or pre-payments is not allowed.

What happens if I terminate employment or take a leave of absence during the plan year?

Your status as an active participant in the health care FSA ceases with your termination. After you terminate, funds remaining in the health care FSA may be paid out if the date of service for your eligible expenses occurred on or prior to your termination date. However, under the Federal continuation laws (COBRA), the health care reimbursement account is considered a COBRA continuable plan. Therefore, if you have funds in your account and do not have sufficient eligible expenses incurred prior to the date of termination, you may elect to continue your participation in the plan through COBRA. You will be required to continue making your contributions on a monthly basis, after tax.

Your contributions to your dependent daycare FSA stop with your termination; however, you may continue to request reimbursement from your account for eligible expenses incurred through the remainder of the plan year until the funds in the account are depleted.

In the event of a Family Medical Leave of Absence (FMLA), you may accelerate your contributions in advance of the leave (pre-tax), continue your current contributions on an after-tax basis during the leave, or increase your per pay check contribution for the remainder of the plan year upon your return. You may continue to request reimbursement for eligible expenses during this period only if you had pre-paid or contributed to your account while you were on leave. You may wait and request reimbursement upon your return to work if you are making up the contributions.



Will participation in a Flexible Spending Account plan affect my Social Security benefits?

Participation in the health care or dependent daycare expense reimbursement plan may affect your Social Security benefits. The portion of the FICA tax contributed to Social Security is based on taxable income. Since your taxable income is reduced, the amount of taxes paid to Social Security is also reduced. Therefore, Social Security benefits may also be slightly reduced. The effect should be minimal, however, and should be balanced against the value of your potential current and ongoing tax savings from Federal, State and FICA.

What if I need more claim forms?

Easy Reimbursement Request Forms are available on our website (www.benesyst.net), through your HR department, by calling our InfoLine (1-800-670-7131) and by emailing Benesyst at flexsvcs@benesyst.net.

How often may I submit reimbursement requests?

There is no limit as to how often you may submit reimbursement request, but the minimum check issued will be \$10.00 until the last check of the plan year, for which there will be no minimum.

What if I have questions that haven't been answered here?

Anytime you have questions about your Flexible Spending Account, you may contact Benesyst or your HR department. The Benesyst InfoLine (1-800-670-7131) is another resource available to you. When you call the Info Line you will have the option to receive personal account balance and claim status information or hear recorded information on the topic of your choice. In addition, our web site (www.benesyst.net) offers personal account balance and claim status information, an extensive list of frequently asked questions and answers, and a comprehensive listing of eligible expenses. The web site has "real time" information and the InfoLine is updated daily.

May I fax my reimbursement request and copies of my receipts?

Yes. You may submit claims by fax or by mail. Please do not do both as it will cause a delay due to a duplicate claim audit. Please be sure to send clear copies and keep originals of everything you submit for reimbursement as well as the fax confirmation sheet.

May I be reimbursed for my health care or dependent daycare expenses from last year?

You always have a run-out period after the plan year ends to submit your reimbursement request for those expenses incurred within the previous plan year. IRS Notice 2005-42 introduced grace periods to FSA plans. If your employer amended their plan, you may now be allowed to access unused amounts remaining in your accounts at the end of the year to pay for qualified expenses that are incurred during a new grace period of up to 2-1/2 months after the close of the plan year. Please consult your Summary Plan Description (available from your HR/Benefits Department) for the length of the grace period and run-out period your plan allows.

May I claim more than the current balance of the cumulative deposits to my reimbursement account?

Dependent Daycare FSA: You may only withdraw up to the total of your deposits to date, but we encourage you to submit for the full amount charged and we will do the bookkeeping for you.

Health Care Expense FSA: You may withdraw up to your annual election (the amount you elect at the beginning of the plan year) at any time.

How do I use www.benesyst.net?

The first time you enter the site you'll need to click on Participant/Employee Access and create a new account. Then follow the instructions to establish your own password, (a minimum of 8 characters). Using your Social Security number and your established password, you will have access to a wide variety of services under Flexible Spending Account Services.

Dependent Daycare FSA

The dependent daycare FSA can provide significant tax savings to you if you pay for the care of a dependent in order to work. If you are married, both you and your spouse must be employed (volunteer work does not apply), attending school full-time or looking for work to be eligible.

Participation in the dependent daycare FSA may produce a larger tax savings than the Federal Child Care Tax Credit. Please see the chart below to help you get a quick snap shot of which program may be best for you.

With the dependent daycare FSA, you may claim expenses up to a maximum of *\$5,000 per married couple filing jointly (or single filing head of household)* The maximum election for those filing *single, non-head of household* is \$2,500.

In addition, your contributions to the FSA are never taxed. The amount of savings depends on your income level and your tax rate.

The Federal Child Care Tax Credit is claimed after the end of the tax year by filing Form 1040. Form 2441 must be completed, regardless of the program in which you participate. Since there are so many factors involved in determining the best choice, *we recommend you seek the advice of a tax advisor.*

NOTE: The Federal DCTC is \$3,000 for one qualifying individual or \$6,000 for two or more.

Dependent Care FSA vs. the Dependent Care Tax Credit

To the right is a comparison for married couples filing a joint return with two qualifying individuals and \$5,000 of dependent care expenses, and are taking the standard deduction and claiming four exemptions. The only income listed is wages and no other credits are claimed besides Dependent Care Tax Credit, Earned Income Credit, Child Tax Credit and Additional Child Tax Credit. Only federal tax savings are considered (*no state taxes or credits*).

Again, we recommend you seek the advice of a tax advisor.

Gross wages of employee and spouse	2 dependent children under age 13 Participating in <i>Dependent Daycare FSA</i> is better (or worse) than claiming the <i>Dependent Care Tax Credit</i> by this amount
\$10,000	(\$1,618)
\$15,000	(\$884)
\$18,000	(\$368)
\$20,000	\$102
\$22,000	\$319
\$25,000	\$686
\$30,000	\$1,378
\$35,000	\$926
\$40,000	\$836
\$43,000	\$703
\$50,000	\$133
\$70,000	\$133
\$80,000	\$133
\$90,000	\$133
\$100,000	\$633
\$130,000	\$883
\$150,000	\$883
\$170,000	\$783
\$190,000	\$783
\$210,000	\$597

Example: If the gross wage is \$30,000, participating in the Dependent Daycare FSA would be more beneficial by \$1,378
Information provided by EBIA 4th quarter 2007

Dependent Care FSA Worksheet

Type of Qualifying Expense

Amounts paid to dependent daycare center for children under 5 (e.g. nursery school or daycare)

\$ _____

Amounts paid for nanny or daycare services inside your home for children under age 13

\$ _____

Latch key programs before and after school for children under the age of 13

\$ _____

Summer daycare/day camp programs (no overnight camps)

\$ _____

Other (adult daycare programs, etc.)

\$ _____

ANNUAL ELECTION TOTAL

Next plan year's dependent care expenses

\$ _____ (A)

Number of pay periods in a year

_____ (B)

Divide A by B to equal the amount you wish to direct to your pre-tax Dependent Care Expense Account per pay period

\$ _____ (C)

Is this a conservative estimate?

Transfer Amount A or C (as applicable) to your enrollment form.

Important!

Note: Section 125 of the Internal Revenue code states that if you have a child in this program that reaches the age of 13 during the plan year the expense incurred for any daycare/after school/summer camp, etc. is no longer eligible for reimbursement. Effective within 30 days of your child's 13th birthday, you may modify your contributions for your dependent daycare FSA by notifying your HR or Benefits Department.

Kindergarten expenses are not reimbursable for the education/school portion of the day. Kindergarten tuition expenses may be eligible for reimbursement only if the expenses are for the "care" of the dependent. Again, these expenses are not eligible for reimbursement if they are for the education of the dependent. If the facility provides both services, an allocation must be made for each service and the portion that is allocated for the care of the dependent is the only portion that is reimbursable.

Dependent daycare expenses can only be reimbursed from the dependent daycare FSA after the service has already been provided. For example, a claim submitted on the first of the month for daycare expenses for the coming month cannot, according to IRS regulations, be reimbursed until the end of the month even if the fee has already been paid.

Custodial care (no medical services) for an elderly or a disabled adult dependent who is unable to care for him or herself is eligible for reimbursement. The dependent must live in your residence for at least eight hours each day. If medical services are required you must use the healthcare FSA.

If your daycare provider does not sign the claim form, appropriate receipts must be submitted showing the federal tax ID/Social Security Number (if not already on the claim form) date(s) of service and the charge for the care of the child. Cancelled checks or credit card receipts/statements are not acceptable receipts.

Eligible Dependent Daycare Expenses

After school care: Primarily custodial in nature.
See *extended day programs*.

Au Pair: amounts paid for the care of a child.
(Transportation expenses related to an au pair are not reimbursable)

Baby-sitter: If not a spouse or dependent of the participant.

Camp: See *Overnight Camp, Summer Day Camp*.

Deposits: Allocated to the care of a dependent are reimbursable *after* the service has been provided.

Elder care: Amounts paid for the care of a dependent adult who is unable to care for him or herself that are not associated with medical expenses. The dependent must live in your residence for at least eight hours each day.

Extended day programs: Supervised activities for children after the regular school program, which are primarily custodial in nature, are reimbursable.

Kindergarten tuition: Eligible only if the expenses are for the care of the dependent. Not Eligible if they are for education of the dependent. If the facility provides both services, an allocation must be made for each service and the portion that is allocated for the care of the dependent is the only portion that is reimbursable.

Looking for work: Amounts for dependent daycare so that the participant, or the participant's spouse, is able to look for work are reimbursable.

Nanny fees: Amounts paid to a nanny for the care of a child are reimbursable. Registration fees paid to a nanny service are not reimbursable unless they are specifically allocated to the care of a child and not to materials or other fees.

Nursery school/ Pre-kindergarten: Reimbursable.

Registration fees for care: May qualify if it is an expense that must be paid in order to obtain care, and can only be reimbursed after the care has been provided or prorated over duration of the agreement with the provider.

Relative of participant, expenses paid to – e.g. parent or grandparent of participant: Yes, unless the relative is a dependent for whom the participant/participant's spouse can claim an exemption, or is a child or step-child of the participant under age 19.

Sick-child center: Eligible if enables participant to work when child is ill.

Summer day camp: After the child has attended the camp. Supplies, registration, deposit, food, activities, transportation and other costs related to the summer day camp are not eligible for reimbursement.

Taxes: FICA and FUTA taxes paid to a daycare provider are reimbursable.

Expenses not eligible:

After school enrichment classes: Programs and lessons that are primarily for education or are skill oriented are not reimbursable.

Nursing home: Not reimbursable through a dependent daycare FSA, or a health care FSA.

Educational expenses: Educational expenses for a child in Kindergarten or higher grades are not reimbursable. See *Kindergarten tuition, Tuition*.

Overnight camp: Not eligible for reimbursement

Diaper Fee

Meals, snacks and beverages

Activity supply fees that are not related to care

Field trips

Enrichment classes

Lessons e.g. music, sports, education, etc.

Transportation

Sick employee: Amounts paid to care for a dependent while the participant stays home from work due to the participant's illness are not reimbursable.

Volunteer work – expenses incurred to enable employee to volunteer: No, even if the volunteer work is for nominal pay.



Health Care FSA Worksheet

This worksheet will help you estimate your annual health care costs for items which are not fully reimbursed by your health or dental insurance. This list is intended to be a guide of your more commonly incurred medical expenses.

Please see pages 10-12 for a larger listing of IRS allowable expenses in a Health Care FSA. Please note, check your FSA SPD (Summary Plan Description) provided by your company for any exclusions to this list. Only list those expenses you reasonably expect to incur in the next plan year, and estimate conservatively.

List all costs that are incurred by you, your spouse, or qualified dependents
(and that are not fully reimbursed by insurance):

Common Types of Qualifying Expenses	Estimated Expense During Next Plan Year
Prescription drug expenses or drug copays	\$ _____
Over-the-counter drugs, if applicable (Tylenol, etc.)	\$ _____
Health insurance copays (for office visits, etc.)	\$ _____
Medical insurance deductible or your share of charges	\$ _____
Chiropractic services	\$ _____
Rx Eyeglasses/spectacle lenses and/or frames ¹	\$ _____
Rx Contact lenses and over-the-counter solutions ¹	\$ _____
Eye/physical examination copays ¹	\$ _____
Laser eye surgery ¹	\$ _____
Dental insurance deductible and your out-of-pocket charges ¹	\$ _____
Orthodontics, braces, false teeth/dentures, etc. ¹	\$ _____
Medical doctors' fees (share unreimbursed by insurance)	\$ _____
Mental health, psychotherapy, etc. (non-marital, individual)	\$ _____
Acupuncture and other non-drug alternative medicine	\$ _____
Birth control expenses (Rx and over-the-counter)	\$ _____
Hearing aids and hearing aid batteries	\$ _____
Other unreimbursed hospital, lab or doctor expenses	\$ _____
Other (_____)	\$ _____
Other (_____)	\$ _____
ANNUAL ELECTION TOTAL	\$ _____ (A)
<i>Next plan year's health care expenses</i>	
Number of pay periods in a year	_____ (B)
Divide A by B to equal the amount you wish to direct to your PRE-TAX Health Care Expense Account per pay period	\$ _____

With FSA, you don't have to pay income tax on these dollars!

¹ Eligible expenses for Limited FSA in conjunction with an HSA

Health Care FSA Eligible Expenses Reference List

Abdominal disorders

Abortion: (Legal) See *Family planning, Pregnancy termination*.

Acupuncturist's fees

Airplane fare: See *Transplants and Transportation*.

Air purifier, humidifier, and home window air conditioner:
Prescribed by physician. Physician's note required with claim.

Alcoholism and Drug Abuse:

Expenses paid to a medical treatment center

Alternative healers, dietary substitutes, and drugs and medicines:
If provided to treat a specific medical condition.

Anesthesiologist's fees

Artificial limb

Attendant: See *Nursing services*.

Automobile: See *Car*.

Birth Control Pills and Devices: OTC contraception and devices.
See *Family planning, Pregnancy termination*.

Braces: See *Orthodontics*.

Braille books and magazines: Amount by which the cost of Braille books and magazines exceeds regular price

Breast reconstruction surgery following mastectomy.

Capital expenses: If their main purpose is medical care, capital expenses paid for special equipment installed in a participant's home or for improvements to the home are reimbursable, based on some restrictions.

Car: Medical expenses for special hand controls and other special equipment installed for the use of a person with disabilities. Also, the amount by which the cost of a car specially designed to hold a wheelchair exceeds the cost of a regular car. However, the cost of operating a specially equipped car is not reimbursable.

Child care: See *Dependent daycare*.

Childbirth classes: Yes, limited to expenses incurred by the mother-to-be to address specific medical issues.

Chiropractor's fees

Christian Science practitioner's fees: For medical care expenses only. Fees for other purposes do not qualify.

Coinsurance amounts: Medical coinsurance amounts and deductibles

Contact lenses: See *Vision Care*.

Cosmetic Surgery: Only to improve congenital abnormality, personal injury, or disfiguring disease. Other types of cosmetic surgery are not reimbursable.

Crutches

Deductibles, medical: Insurance deductibles and coinsurance amounts under the employer's plan are reimbursable. Must be associated with services and service dates.

Dental services: Medically necessary dental treatment including X-rays, fillings, braces, extractions, dentures, etc.

Dermatologist's fees

Diabetes management: See *Insulin, Medicines*.

Diaper service: Only if needed to relieve the effects of a particular disease.

Diagnostic services

Diets: See *Special foods*.

Drugs: See *Medicines*.

Drug addiction: See *Alcoholism and Drug Abuse*.

Employment taxes: See *Nursing services*.

Eye examination fees: See *Vision care*.

Eyeglasses: See *Vision care*.

Family or group counseling or therapy: Must be verified by a physician's written statement of medical necessity for the treatment of a medical condition. Physician's note must accompany claim. See *Marriage counseling, Psychiatrist's fees, Psychoanalysis, Psychologist's fees, Psychotherapist's fees*.

Family planning: Birth control pills and devices including over-the-counter items. See *Birth control pills and devices*,

Fertility treatment: Treatment of infertility, including in vitro fertilization. Surrogate and embryo storage do not qualify.

Group medical insurance: See *Insurance premiums*.

Guide dog or other animal: For the visually impaired

Gynecologist's fees

Healthy baby care: See *Nursing services*.

Hearing aids: Hearing aid and batteries. Hearing aid insurance is not reimbursable.

Hospital: Expenses incurred as a hospital in-patient or out-patient for laboratory, surgical and diagnostic services

Impotence or sexual inadequacy: Eligible if substantiated by a physician.

In vitro fertilization: See *Fertility treatment*.

Infertility: See *Fertility treatment*.

Insulin: Insulin and other diabetic treatment aids

Laboratory service fees

Laser eye surgery

Lasik surgery

Lead-based paint removal: Cost of removing lead-based paints from surfaces in a home physician's note required with claim.

Learning disabilities: Tuition payments to a special school or tutoring fees for a child who has severe learning disabilities caused by mental or physical impairments, including nervous system disorders. Physician's note required with claim.

Legal fees: Paid to authorize treatment for mental illness.

Lodging: At a hospital or similar institution if the purpose is to receive medical care. The cost of lodging not provided in a hospital or similar institution while an employee (or dependent) is away from home is reimbursable if four requirements are met: (1) the lodging is primarily for and essential to medical care; (2) medical care is provided by a doctor in a licensed hospital or in a medical care facility related to, or the equivalent of, a licensed hospital; (3) the lodging is not lavish or extravagant under the circumstances; and (4) there is no significant element of personal pleasure, recreation or vacation in the travel away from home. The reimbursable amount cannot exceed \$50 per night per person. Lodging is included for a person whose transportation expenses count as medical expenses, due to the fact that they are traveling with the person receiving the medical care. For example, a parent traveling with a sick child, up to \$100 per night.

Massage: Must be substantiated by a physician.

Mattresses: Only the difference between a special mattress used to treat a medical condition such as arthritis and a comparable quality mattress. Must be documented by a physician's note.

Meals: For the traveling patient only at a hospital or medical institution

Medical information plan: A plan that keeps medical information to be retrieved from a computer bank for medical care

Medical services: If they bear a direct relationship to the provision of medical care to a taxpayer

Medicines: Prescribed medicines for use by an individual that are medically necessary

Mental health: See *Psychiatrist's fees*.

Mentally retarded, special home for: Must not be the home of a relative. Physician's note required.

Midwife: Prenatal and birth expenses are reimbursable as the service is being incurred, upfront fees must be allocated with services that are being rendered or divided out over treatment plan.

Native American healing ceremonies by medicine man

Neurologist's fees

Nursing services: Wages and other amounts paid for nursing services

Obstetrical expenses

Optometrist's fees

Ophthalmologist's fees: See *Vision care*.

Orthodontics: Eligible expense.
Refer to special processing options on page 13

Orthopedic shoes: To the extent that cost exceed comparable shoes. Physician's note is required.

Organ donor: See *Transplants*.

Osteopath's fees.

Over-the-Counter Drugs and Medicines: to alleviate or treat personal injuries or sickness are reimbursable. See *OTC Guide* on www.benesyst.net.

Oxygen: For treatment of a medical condition only

Parking: See *Transportation*.

Pediatrician's fees

Personal use items: Only if used primarily to alleviate a physical or mental defect or illness. For example, the cost of a wig purchased at the advice of a physician for the mental health of a patient who has lost all of his or her hair from disease

Physical exams: Generally reimbursable, except for employment-related physicals.

Podiatrist's fees

Pregnancy termination: Termination of a pregnancy, including legal abortion

Prescription drugs: See *Medicines*.

Private hospital room: Extra cost of a private room

Prosthesis: See *Artificial limb*.

Psychiatric social worker's fees: Expenses incurred for recommendation of an individual's specific treatment by psychiatrist are reimbursable.

Psychiatrist's fees: For individual counseling

Psychoanalysis

Psychologist's fees: For individual counseling

Psychotherapist's fees: For individual counseling

Radial Keratotomy (RK)

Reasonable and customary charges, amounts in excess of: Medical expenses in excess of the plan's reasonable and customary charges

Health Care FSA Eligible Expenses Reference List

continued

Schools, special: Special school for a person who is mentally impaired or physically disabled if the main reason for using the school is its resources for treating the disability. This includes a school that:

- teaches Braille to a child who is visually-impaired;
- teaches speech-reading or American Sign Language to a child who is hearing-impaired; or
- provides remedial language training to correct a condition caused by a birth defect.

The cost of meals, lodging and ordinary education supplied by a special school is reimbursable only if the main reason for using the school is its resources for treating the mental or physical disability.

Sexual inadequacy and incompatibility treatment:

Must be doctor prescribed

Smoking cessation: Program and amounts paid for prescribed and OTC drugs used to stop smoking would qualify.

Special foods (such as gluten-free or salt free dishes): If prescribed by a medical practitioner to treat a specific illness or ailment and if the foods do not substitute for normal nutritional requirements. But the amount that may qualify is limited to the amount by which the cost of the special food exceeds the commonly available versions of the same product. To show that expense is primarily for medical care, a note from a medical practitioner recommending it to treat a specific medical condition is required.

Sterilization: Cost of a legal sterilization (operation performed to make a person unable to have children)

Student health fee: If the expenses are separately broken down and are for specific medical services.

Substance abuse: See Alcoholism and drug abuse.

Telephone: Costs of special telephone equipment that allows a person who is hearing-impaired to communicate over a regular telephone

Television: Difference between specially equipped television set in excess of the cost of the same model regular set.

Therapy, physical: Therapy received as medical treatment.

Transplants: Payments for surgical, hospital, laboratory and transportation expenses for a prospective or actual donor of an organ are reimbursable.

Transportation: Amounts paid for transportation primarily for, and essential to, medical care are reimbursable. These include:

- bus, taxi, train or plane fare, or ambulance service;
- parking fees and tolls;
- transportation expenses of a parent who must accompany a child who needs medical care;
- transportation expenses of a nurse or other person who can give injections, medications or other treatment required by a patient who is traveling to get medical care and is unable to travel alone; and

- transportation expenses for regular visits to see a dependent who is mentally ill if these visits are recommended as a part of treatment. Mileage to and from medically necessary trips are reimbursable at a flat rate of 18¢ per mile 1/1-6/30, 27¢ per mile 7/1-12/31 for calendar year 2008. The cost of tolls and parking may be added to this amount.

Reimbursable expenses do not include:

- transportation expenses to and from work, even if a medical condition requires an unusual means of transportation; or
- transportation expenses incurred if, for non-medical reasons, a participant chooses to travel to another location (or to a resort or spa) for an operation or other medical care prescribed by a doctor.

Trips: Transportation to another location, if the trip is primarily for and essential to receiving medical services

Tutor's fees: See *Learning disabilities*.

Umbilical cord, freezing and storing of: Might qualify if there is a specific medical condition that the umbilical cord is intended to treat. Collection and storage indefinitely, just in case it is needed, is not medical care. "Temporary" is not defined – one consideration might be whether it is stored and used within the same year. The cost of storing cord blood where a newborn has had a birth defect and where the cord blood would be needed in the near future might qualify.

Vacation: See *Trips*.

Vaccines

Vasectomy

Vision care: Optometry services and medical expenses for eyeglasses and contact lenses needed for medical reasons are reimbursable. Eye exams and expenses for eyeglasses and contact lens solutions are also reimbursable.

Vitamins: Only if recommended by a physician for a specific medical condition. A physician's note is required.

Weight loss program and/or drugs prescribed to induce weight loss:

If recommended by a physician to treat a specific medical condition. However, the costs of food associated with a weight-loss program (such as pre-packaged meals) would not qualify, since it just meets normal nutritional needs. To show that the expense is primarily for medical care, a note from a medical practitioner is required.

Wheelchair: Amounts paid for a wheelchair used mainly for the relief of sickness or disability, and not just to provide transportation to and from work, are reimbursable. The cost of operating and maintaining the wheelchair is also reimbursable.

X-rays and X-ray treatments

Capital expenses

Medical expenses incurred by participants for special equipment installed in the home or for improvements

I have orthodontia expenses. How will reimbursements be handled?

Orthodontia treatment is unique in that there is generally no precise relationship between payment and treatment rendered over time. Participants can elect to receive reimbursement for orthodontia expenses on either a Monthly Option (pay-as-you-go) or a one-time Full Payment Option paid up-front.

Monthly Option - Orthodontia Expense

Under this reimbursement option, the initial down payment (up to 1/3 of the amount owed less insurance) is reimbursable once the appliance is installed. The balance is reimbursed in equal installments over the length of treatment. A provider contract showing the date of installation, total cost, estimated insurance and estimated treatment length is acceptable documentation to permit reimbursement. Alternatively, Benesyst offers a worksheet to the participant to help document this necessary information. As service often extends past the first plan year, participants need to estimate their next FSA election based on what they owe in each following year.

Full Payment Option - Orthodontia Expense

When a participant pays in full for the orthodontia treatment at the time of installation, the full amount is reimbursable up to the amount owed or the Health Care FSA election amount. In addition to proof of payment, a provider contract showing the date of installation, total cost, estimated insurance and estimated treatment length is required to reimburse the expense. Alternatively, Benesyst can provide a worksheet to include with the claim to furnish this information and proof of payment is still required. The Full Payment Option is offered as a one-time payment only. Even if service ultimately costs more than expected, unreimbursed amounts for that treatment are not claimable. In addition, the Full Payment Option must be requested during the current plan year in which the appliance was installed. Partial or other payment methods must be claimed under the Monthly Option.

For Example:

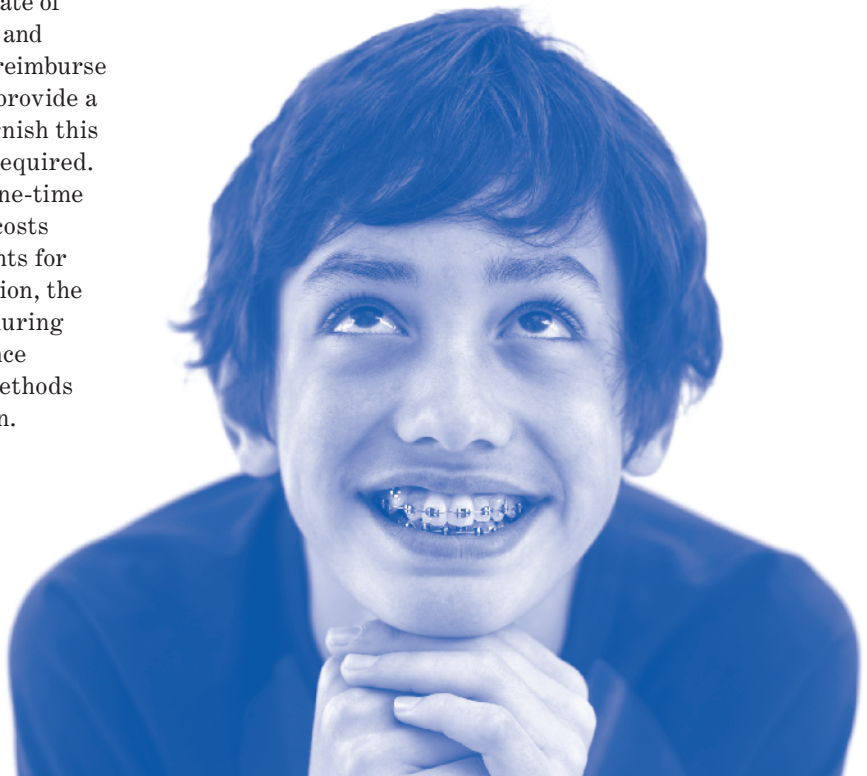
Mary has a calendar year 2008 Health Care FSA election of \$1,200. In 2008 her son has braces placed. Mary pays \$1,500, which is her portion after expected insurance coverage.

Full Payment Option

Mary can submit a copy of her receipt showing payment in full for Orthodontia as well as a copy of her Provider contract showing the total cost of the treatment. Her full reimbursement for the service would be \$1,200 which would exhaust her election for the plan year. Under the Full Payment Option Mary would be unable to submit any further claims.

Monthly Option

Mary has other medical expenses to claim and prefers to spread out her reimbursement of the orthodontia expense. Under the Monthly Option, Mary could claim up to \$500 (1/3 of the total amount) at the time of installation. She would then divide the remaining \$1,000 by the number of months of expected treatment to determine a claimable monthly amount. On the 1st of every month through the end of treatment, Mary claims the monthly installments. The Monthly Option allows Mary to fit in her additional claims besides the orthodontia and receive the maximum FSA benefit for the entire cost of her son's Orthodontia treatment over time.



Health Care FSA Eligible Expenses Reference List

Disability Accommodations, Insurance and What's Not Covered

are reimbursable if their main purpose is medical care. The cost of permanent improvements that increase the value of the property may be partly deducted as a medical expense. The cost of the improvement is reduced by the increase in the value of the property; the difference is a reimbursable medical expense. If others benefit from the improvement, then only the prorata amount allocable to the person with the medical condition will qualify.

Improvements made to accommodate a residence for a person's disability do not usually increase the value of the residence, and the full cost is usually reimbursable. These improvements include, but are not limited to: ramps, widening doorways and hallways, installing rails and support bars in bathrooms, lowering cabinets in the kitchen, moving electrical outlets and fixtures, installing porch lifts (but generally not elevators), modifying stairways, adding handrails and grab bars, modifying hardware on doors and re-grading the ground to provide access to the residence.

Insurance premiums

NOTE: Insurance premiums paid through your employer's plans are automatically reimbursed through the Automatic Pre-tax Employer Premium Account and should not be added to the Health Care Flexible Spending Account for reimbursement.

Insurance premiums are never eligible to be reimbursed through a health care FSA.

Insurance premiums are eligible to be reimbursed through an "Outside Premium Reimbursement Account," if the employer sponsors this separate and specialized type of account. Expenses eligible to be reimbursed through an "Outside Premium Reimbursement Account" include personally paid, eligible health insurance premiums and COBRA health insurance premiums from a previous employer. Premiums not eligible for reimbursement include premiums paid to a spouse's employer and COBRA life insurance premiums.

Expenses not eligible for reimbursement

This is a partial list of health care expenses that are not eligible for reimbursement from your health care

flexible spending account.

Breast pump

Cancellation fee

Contact lenses, glasses and sunglasses that are non-prescription

Contact lens replacement insurance

Cosmetic surgery, procedures, prescriptions

Dancing or swimming lessons

DNA collection

Domestic help fees of a non-medical nature

Ear piercing

Electrolysis or hair removal

Funeral expenses

Health club memberships/fitness programs, Exercise equipment

Household help: does not qualify.

Infant care: Nursing or babysitting services for a normal, healthy infant are not reimbursable.

Insurance premiums: No premiums for any health plan, including health plans maintained by a spouse's employer, are reimbursable through a health care FSA.

Late fees (late payments for bills)

Life insurance premiums

Long-term/Lifetime care insurance premiums

Marriage counseling

Massage (unless prescribed by a physician to treat a medical condition)

Medical Savings Accounts

Medicare Part A and/or B

Nursing homes

Over-the-counter drugs that are for general health purposes, cosmetics, skin care, toiletries, hygiene products

Over-the-counter vitamins, supplements or dietary supplements

Personal use expenses (i.e. toothbrushes, electric toothbrushes, clothing, home items, pillows, etc.)

Physical therapy treatments for general well-being

Prescriptions that are cosmetic related are not reimbursable. i.e. Retina-A, Propecia, Vaniqa, etc.

Scientology "audits"

Surrogate expenses

Teeth whitening/Bleaching

Union dues

Where to find more information

For a detailed list of all Qualifying Expenses, Claim Forms, FSA Tax Savings Calculator and Over-the-Counter Drug Eligibility Guide, go to www.benesyst.NET

Customer Care Center:

Benesyst provides a toll-free Customer Care Center. Call with any questions about your FSA.

1-800-670-7131



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Where to find more information

For more information please read the Summary Plan Description furnished by your employer. For a detailed list of all Qualifying Expenses, Claim Forms, FSA Tax Savings Calculator and Over-the-Counter Drug Eligibility Guide, go to www.benesyst.NET

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