

Flexible Spending Accounts

A Flexible Spending Account (FSA) is a tax-free account that allows you to use pre-tax dollars to pay for your out-of-pocket prescriptions, medical, dental, vision or childcare expenses. As an eligible employee, you can enroll in both a Healthcare FSA and a dependent care FSA.

FSA's help you save on taxes.

By paying for expenses with pre-tax dollars, **you may save at least 25% on every dollar that is set aside** on money you were going to spend anyway.

Effective January 1, 2008, ASIFlex will be the new administrator of the FSA program. ASIFlex offers next-business-day claims processing, payments by direct deposit into your bank account and a new FSA debit card (for use with the Health Care FSA only).

How do the programs work?

There are three easy steps to receiving the tax advantage allowed by the FSA program:

- 1) **Enroll.** You must enroll each year in the program, even if you do not want your deduction amounts to change from year-to-year.
- 2) **Incur expenses.** This means that you must have services provided that give rise to the expense, not just be billed or pay for an expense. You incur expenses when you go see your doctor, fill a prescription or have childcare services provided.
- 3) **Submit a claim to ASIFlex for reimbursement, or use your Flex Debit Card (for Health FSA expenses only) to access your pre-tax dollars.** All reimbursements are tax-free!

Do I have to enroll each year?

Yes, if you want to take advantage of the tax savings, you must actively re-enroll in the FSA program each year during open enrollment.

NOTE: *PEBB cannot give you tax advice. If you need additional information or assistance relating to your own tax situation, please contact an attorney, accountant or other tax advisor.*

Who is eligible for to enroll in PEBB's FSA?

- Eligible employees
- COBRA participants (for healthcare FSA only, and only if there was money in the account at the time of the COBRA event).

Who is not eligible to enroll?

- Retirees
- Other self-pay participants

When can I enroll and when is it effective?

You may enroll:

- **Within 60 days of your initial date of hire.** The account goes into effect the first day of the month following your enrollment.
- **During Open Enrollment.** The account becomes effective the first day of January.
- **Within 60 days of, and consistent with, a qualified status change (QSC).** The account goes into effect the first of the month following receipt of the form or the QSC, whichever is later.

What are some important things to remember about an FSA?

- When you enroll, you enroll for the entire plan year, so please plan accordingly.
- You may change your contribution amount midyear only within 60 days of a QSC.
- Your annual election amount is deducted evenly from each paycheck over the course of the year. Don't forget that this money will be deducted free from tax.
- Contributions to your account automatically terminate if you end employment with the state. Coverage for qualifying expenses ends at the end of the month in which you make your last contribution.
- If you terminate employment with the state, no contribution is taken from your termination paycheck. Notify your payroll office as soon as you know you will be leaving state service.

- Only expenses incurred during your active participation in the FSA plans will be eligible for reimbursement after you terminate employment. *Please note that the word incurred refers to the services that are provided.*
- You must plan your expenses in advance. You forfeit any funds that you cannot use for valid expenses or file a claim for by the deadline to file. Expenses must be submitted by March 31, following the close of the previous plan year.
- PEBB has adopted the FSA grace period that extends coverage for each 12 month plan year to 14 ½ months. The FSA grace period runs from January 1 through March 15 of the new plan year. If your account is active and you have funds left on December 31, the grace period allows you to incur eligible expenses and submit claims for reimbursement using the previous year's available balance.

Healthcare FSA

How does a healthcare flexible spending account work?

A healthcare FSA helps you pay for eligible out-of-pocket healthcare expenses using pre-tax dollars to significantly increase your purchasing power. Eligible expenses include most of the medical, dental and vision services, and drug costs not fully covered in PEBB plans, as well as other expenses such as over-the-counter medications, massage therapy, chiropractic work and many more. (Please visit www.asiflex.com for a detailed list of eligible expenses and to link to IRS Publication 502 for qualifying expenses.)

Expenses for any of your tax dependents are eligible for reimbursement through the healthcare FSA program, even if the dependents are not covered in your health plans. Expenses for domestic partners are not covered unless your domestic partner qualifies as a dependent under IRS rules.

Additional Healthcare FSA Features

- The annual contribution limit for PEBB's Healthcare FSA is \$5,000. If your spouse also has a healthcare FSA, your individual contribution limit is still \$5,000.
- You have access to your total annual election on your first day of coverage in the healthcare FSA. (This is Jan. 1 unless you have entered the plan during the year.)
- For orthodontic expenses, you must submit a copy of the contract (treatment plan) to ASIFlex. Claims will be denied if a copy of the contract is not on file. Once the contract is on file, you may submit monthly claim forms for reimbursement as the payments are made, with proof of payment.
- Under COBRA rights, you may continue your Healthcare FSA if you have a positive balance in the account at the time of the COBRA event. All deposits made during the COBRA coverage period are made on a post-tax basis.

You may have alternative tax-related options under current IRS rules. Please see your tax professional for additional guidance.

How should I estimate how much to deposit?

Because the FSA program is an annual program, you should plan your annual election amount based upon the actual dollar amount you anticipate spending on eligible healthcare expenses in the coming plan year. Consider known, predictable, reoccurring expenses for all family members.

- You can use the worksheet and list of estimates to help decide the amount to elect.
- Ask your pharmacy and healthcare providers for a printout of your current year expenses
- Review your receipts, insurance forms, credit card statements and cancelled checks to determine your expected expenses for the upcoming year
- Consider any new expenses you are likely to incur in the coming year (such as LASIK surgery or large dental expenses such as crowns, root canals, etc.)
- Use [ASIFlex's Online Tax Savings Calculator](#) if you want an estimate of your savings

Healthcare FSA Estimate Worksheet

Anticipated annual expenses for you and your dependents

	Estimated amount
Coinsurance, co-payments and deductible	\$
Dental expenses (crowns, root canals, routine examinations, etc.)	\$
Monthly orthodontia expense (see restrictions in the above section)	\$
Prescription drug expenses	\$
Eyeglasses, contact lenses, solution, etc	\$
Chiropractic and massage therapy expenses	\$
Over-the-counter meds (Most non-vitamin and supplement items are eligible. See ASIFlex's web site for specific qualifying items.)	\$
Annual Total (cannot exceed \$5,000)	\$
Divide by 12 (except for new hires) for monthly amount	\$

Example of potential savings

A PEBB member receives a \$3,000 per month salary. The after-tax take home pay amount is \$2,100. The member pays \$200 per month for healthcare services and supplies – dollars that taxes were paid on. Now, the actual monthly income shrinks from \$2,100 to

only \$1,900. If the member opens a healthcare FSA, the monthly \$200 spent on healthcare is not taxed. The take home pay is \$1,960, which means a monthly savings of \$60!

See below for complete comparison

Tax Savings Comparison		
	Without Healthcare FSA	With Healthcare FSA
Gross monthly salary	\$3,000	\$3,000
Pretax FSA deposit	\$0	-\$200
Adjusted monthly salary	\$3,000	\$2,800
Taxes, calculated at 30%	\$900	\$840
Net take-home pay	\$2,100	\$1,960
After tax medical expenses	\$200	\$0
Spendable monthly income	\$1,900	\$1,960
Annual Savings (\$1,960-\$1,900)*12 months = \$720		

What medical expenses can I use my Healthcare FSA funds for?

Partial list of qualified medical expenses:

- Deductibles, co-pays & coinsurance
- Doctor's fees
- Prescription glasses & contact lenses
- Orthodontia (see specific requirements)
- LASIK surgery
- Prescription drugs & insulin
- Over-the-counter meds (used to treat an existing medical condition)
- Speech & physical therapy

Your FSA cannot be used for:

- Insurance premiums and warranties
- Cosmetic procedures (such as face lifts, teeth bleaching, veneers, hair replacement, etc.)
- Clip-on or non prescription sunglasses
- Toiletries
- Long-term care expenses
- Vitamins, supplements or nutritional supplements used for general health and not used to treat a specific medical condition

Check out www.asiflex.com for more eligible expenses or contact ASIFlex directly at (800) 659-3035 with questions.

Dependent Care FSA

How does a dependent care flexible spending account work?

A dependent care FSA helps you pay for eligible dependent care expenses with pre-income-tax salary dollars. Please note that the Dependent Care Flexible Spending Account is typically used for childcare expenses, but it can also be used to pay for expenses for older dependents who require someone to come into the home and help with day-to-day living in order for you to be gainfully employed.

You can set up a dependent care FSA if you are:

- Single with an eligible dependent, and the expenses are necessary for you to work
- Married with an eligible dependent, and the expenses are necessary for both you and your spouse to work
- Married with an eligible dependent, and your spouse is either disabled, actively seeking employment or a full-time student at least five months during the year

NOTE: Dependent Care FSA participants cannot claim expenses that they incur when they are not working.

What expenses qualify for reimbursement through a dependent care FSA?

IRS regulations specify that the following expenses qualify for reimbursement through a Dependent Care Spending Account:

- For the care and well-being of dependent children under the age of 13
- For the care of a disabled dependent of an eligible employee, who is incapable of self-care and who lives with the employee and spends at least eight hours per day in the employee's home
- Reimbursement will be made only for services already provided.

What are the Dependent Care FSA maximum participation amounts?

- If you are single: \$5,000/year
- If you are married and filing taxes jointly: \$5,000/year
- If you are married and filing taxes separately: \$2,500/year
- If you are married with a spouse who is disabled or a full-time student: \$250/month for one child in care or \$500/month for two or more children.

If you or your spouse earns less than the amounts shown above, the maximum amount you may deposit is either your monthly income or your spouse's monthly income, whichever is lower.

If you and your spouse both participate in a dependent care FSA (through the same or different employers), the maximum you can contribute as a household to the Dependent Care FSA is \$5,000 per year.

When you use a dependent care FSA to pay for your dependent care expenses, your use of the Federal and Oregon child care tax credits is limited. Please contact your tax advisor for more information on which program would best benefit you for day care.

You are welcome to submit claims that exceed the available balance in your account, as long as the services have already been provided; ASIFlex will automatically issue reimbursements for funds that you have already contributed through payroll. Unlike the healthcare FSA, you will only receive reimbursement up to the amount you have already contributed to the dependent care FSA.

Please note that you cannot submit claims for services that have not yet been provided. So, for example, if you want to submit claims one month at a time, you cannot submit a claim for January's childcare services until the end of January. You are welcome to submit claims as frequently as you would like (weekly, biweekly, monthly, etc.) for the service dates that have already been provided.

NOTE: For Oregon University System Employees: Your number of contributions per year is based on the number of regular paychecks you receive in the year. For more information, contact your benefits office.

How should I plan for my dependent care FSA?

Because this is a “**use it or lose it**” account, you must carefully estimate how much you will spend on dependent care during the year.

Listed below are examples of eligible and ineligible expenses. For detailed information on expenses, contact ASIFlex or review more information available at www.asiflex.com, including IRS Publication 503.

Eligible:

- A licensed or registered day care facility or nursery school
- Care provided in your home by someone who is not a tax dependent
- Before and after school care for children under the age of 13

- General day camps for children under the age of 13
- Home or day care for eligible IRS tax dependents (must spend at least eight hours per day in your home)

Ineligible:

- Educational fees or tuition (including kindergarten)
- Overnight camps
- Food, activity fees or other separately billed expenses
- Enrichment programs (such as dance, sports or music lessons)
- Care provider by an IRS tax dependent or your child under the age of 19, even if they are not your tax dependent
- Care provided that is not directly related to work

Because this is a “**use it or lose it**” account, you must carefully estimate how much you will spend on dependent care during the year.

Filing for Reimbursement

How do I access my pre-tax dollars?

You may print a copy of the claim form at the [ASIFlex's](http://ASIFlex.com) Web site and submit the claim to ASIFlex via mail or toll-free fax, or you may use your Flex Debit Card to pay for certain eligible health care expenses (the Flex Debit Card cannot be used for dependent care FSA expenses). ASIFlex processes and pays claims by the business day following receipt. Authorizing payments into your bank account by direct deposit will speed up your receipt of payment. The authorization form is sent with your initial notice from ASIFlex and is available on [ASIFlex's](http://ASIFlex.com) Web site.

To submit a paper claim for reimbursement for your:

Healthcare FSA. Complete a claim form and include documentation from an independent third party that includes:

1. Date(s) of service (*please note this is different from payment or billing date*)
2. Provider information
3. Description of the service

4. Amount charged
5. The name of the person for whom the service was provided

Dependent Care FSA. Complete a claim form and either:

- a. Attach a receipt from the provider that includes:
 1. The date of dependent care services
 2. Provider information
 3. Description of the service
 4. Amount charged
 5. The name of the person(s) for whom the service was provided
- Or
- b. Complete the claim form and have the dependent care provider sign the provider section on this form. No additional documentation or receipts are required if the provider signs this section.

The IRS does not accept cancelled checks or credit card receipts as proof of expense.

How do I appeal denial of an FSA claim?

If your claim is denied, you must appeal the claim denial to ASIFlex. The company will send you a notification of the denied claim with the specific reasons for the denial. The notification may advise you of what steps you might take in order to receive reimbursement for your claim or will provide explicit details as to why your claim was denied.

Your written appeal should:

- State the reasons why you believe the claim should receive approval.
- Include any additional facts and/or documents that support your claim.
- Include any comments that you wish considered during your case review.

NOTE: *If you do not appeal within 30 days of a denial notice, you will lose your right to appeal.*

An individual who was previously not involved in your claim will review and determine the result of your appeal. The appeal decision will be made within 60 days. You will receive a notice of claim denial when the claim remains denied, which will provide:

- Specific reason(s) for the decision
- Specific plan provision(s) on which the decision is based
- A statement of your right to review (on request and at no charge) relevant documents and other information

A description of any specific rule, guideline, protocol, or other similar criterion or a statement that such a rule, guideline, protocol, or other similar criterion was relied on, and a copy to you free of charge upon your request.

What's the FSA grace period?

Before the FSA grace period, if you didn't incur the same level of out-of-pocket healthcare costs during the year as you had deposited in your account, you lost access to the remaining balance on Jan. 1. You could still be reimbursed for expenses you had through Dec. 31 as long as you submitted claims by the March 31 deadline. But you couldn't use leftover funds for expenses incurred after December 31.

With the new grace period, you can now incur expenses incurred through March 15 of the next plan year to use any remaining funds from the previous plan year. Please see the examples below for clarification.

Example 1

Kristen has \$50 remaining in her medical FSA at the end of the year and has no more expenses to submit with dates of service during the actual plan year. Two weeks after the end of the plan year, Kristen goes to her dentist and incurs a charge of \$145. She submits a claim to ASIFlex. ASIFlex processes the claim, and \$50 is automatically applied to the remaining balance from the previous plan year first, and \$95 is applied to the new plan year's available balance.

Example 2

Kristen submits the claim for her \$145 in dental expenses, but, knowing that she has a charge from the hospital for services provided during the past year, but has not received the statement yet, Kristen wants the entire \$145 to be applied to the current year. Kristen includes a note with the claim packet asking to apply the entire dollar amount to the new plan year. ASIFlex's claim processor applies the entire \$145 reimbursement request to the new plan year.

2008 Plan Year FSA Schedule

Event	Date
Enroll for 2008 FSA (Open Enrollment)	Oct. 1-31, 2007
Start of 2008 Plan Year	Jan. 1, 2008
End of 2008 Plan Year	Dec. 31, 2008
Start of 2009 Plan Year	Jan. 1, 2009
2008 Plan Year Grace Period	Jan. 1-March 15, 2009
2008 Plan Year Claims Deadline	March 31, 2009

ASIFlex Flex Debit Card

The **Flex Debit Card** is a convenience to access your **Healthcare FSA Funds** at health care providers and at retail outlets that have an IRS-approved Inventory Control System. The card only works at healthcare providers or retail outlets as described below. The dollar amount loaded on the card is tied directly to your available Health Care FSA balance, and each purchase you make with the card pays this provider from available funds in your Health Care FSA.

The IRS considers the following merchants to be health-care providers:

- Hospitals
- Health Clinics
- Medical Labs
- Dental Offices
- Pharmacies
- Optometrists

Additionally, the card will work at retail outlets that have an Inventory Control System in place. The Inventory Control System restricts purchases with your Flex Debit Card to eligible FSA expenses. Currently, only WalMart/Sam's Club, Walgreens and drugstore.com have the Inventory Control System in place, but this list is expected to grow considerably by January 1, 2008.

As a general rule of thumb, the Flex Debit Card will not work at pharmacies located inside of a grocery store or discount store unless the Inventory Control System is in place.

How do I get a Flex Debit Card and how much does it cost?

The debit card is optional and has a restricted use, so you must complete an application if you want to receive a Flex Debit Card. The applications will be included with your welcome packet after you enroll for the Health Care FSA program, or you will be able to download them from PEBB's Web site after November 1. It usually takes about seven to 10 business days for you to receive your card once ASIFlex receives your application. There are no costs for you to receive a Flex Debit Card.

How does the Flex Debit Card work?

When you receive your card, you will activate it by calling a phone number on the card to activate use of the remaining amount in your Health Care FSA for the plan year.

This means that if your available amount is \$1,000 when you activate the card, your Flex Debit Card will be programmed for \$1,000. The total available amount is available on the day you activate your card, subject to some daily use limits set by the card system (\$2,500 per day).

Even though it's called a debit card, you must always select the "credit" option when you swipe the card to pay for an expense. **There is no PIN number to use with the card.**

If I use my Flex Debit Card, do I have to send supporting documentation to ASIFlex?

Maybe. The IRS has strict rules about how the card is used and when follow-up documentation is required. There are certain instances where the IRS requires follow-up documentation and more specific information will be provided to you in your welcome packet. However, if you use the card at any store that has the Inventory Control System in place, you should never be required to submit follow-up documentation to substantiate your purchases. If you use your card at one of these places and attempt to purchase a bottle of Tylenol (FSA eligible) and a six pack of soda (not FSA eligible), the card will pay for the Tylenol with your pre-tax dollars and then you will have to provide a separate form of payment for the soda.

That being said, for tax purposes, you should always keep all receipts for purchases you make with the Flex Debit Card in the event that you are asked for documentation by ASIFlex or are audited by the IRS.

ASIFlex Contact Information

Phone: (800) 659-3035
Toll-free Fax: (866) 381-9682
Mailing Address: PO Box 6044
 Columbia, MO 65205-6044

Web site: www.asiflex.com
E-mail: asi@asiflex.com

ASIFlex's Customer Service Center is available to FSA participants from 5 a.m. to 5 p.m. Pacific Time, Monday through Friday and from 7 a.m. to 11 a.m. on Saturday.