

Dependent Care and Flex Spending Employee Handbook

How To Save On Medical & Child Care Expenses

A Gift from the IRS... An underutilized part of the Revenue Act of 1978, which Congress created to help make benefits more affordable.

How does it work?

When you participate in either or both plans, you choose a set dollar amount to have deducted from your gross income before any taxes are taken out! The money is deposited into a reimbursement account which has been set up in your name. When you pay for an expense, send your receipt to ABS and they will send you a reimbursement check from your account. Flexible Spending Account (FSA) - Use this plan to pay for unreimbursed medical and dental expenses for you, your spouse, and your dependants. Dependent Care Account (DCA) - Use this plan for child or eldercare expenses. Eligibility is based upon your employment and/or student status.

How does my income increase?

The IRS lets you make deductions on a "pre-tax" basis. For example, if you contribute \$600 to a FSA account and \$3,000 to a DCA account, that is \$3,600 of your annual salary that will not be taxed. You will not pay Federal and State tax (if applicable) , Social Security or Medicare. For most people, that is a combined savings of 30%!

Use It or Lose It?

If you contribute to these plans and do not use all the money you have deducted, you will not get your remaining balance back. The IRS has strict guidelines on this money because of the tax advantages. Ask ABS for advice when you are planning your deductions.

Examples of Expenses Eligible for Reimbursement

This is a partial list of expenses that may be reimbursed through Flexible Spending and Dependent Care Accounts. Employees can deduct expenses for themselves, their spouses and their eligible dependents!

Acupuncture

Alcoholism treatment

Artificial teeth

Before/after school programs

Boarding and care of physically or mentally disabled

Braille books, magazines, keyboards phones, etc.

Care for the learning disabled

Child care expenses

Chiropractic care

Companion dog for sight or hearing disabled

Contact lenses and solution

Co-pays: Office & co-insurance

Insulin

Laboratory fees

Laser eye surgery

Lead-base paint removal (children w/lead poisoning)

Life fee to retirement home for medical care

Medications

Mouthguards (medically necessary)

Nurses' fees (including board, soc. security tax when paid by taxpayer)

Obstetrical expenses

Oral contraceptives

Orthodontia

Orthopedic shoes and inserts

Oxygen

Preschool

Crutches
Day camp
Deductibles- dental & medical
Dental work (unreimbursed)
Diagnostic fees
Eldercare expenses
Electrolysis (medically necessary)
Eyeglasses, prescription sunglasses
Fees for practical nurses
Fees for healing services
Health Clubs
Hearing aids, devices, & batteries
Home improvements for medical considerations (rails, ramps, etc.)
Hospital bills
Hypnosis for treatment of an illness
Infertility treatment

Prosthetics
Psychiatric care
Psychologist fees
Routine physicals and preventive care not covered by insurance
School & tuition for developmentally disabled
Swimming pool/spa installation & maintenance if recommended by physician
Telephone equipment for the hearing impaired
Transportation expenses to/from places to receive medical treatment
Treatment for substance abuse, including inpatient hospitalization
Weight loss programs to treat medical condition
Wheelchair
X-rays

**Some items may require further documentation from your physician*

For a complete listing and explanation of eligible charges for these plans, please see IRS Publication 502 "Medical and Dental Expenses;" and 503 "Child and Dependent Care Expenses."

Figure Your Expenses

Estimate your reimbursement or "out-of-pocket" medical and dental expenses for the coming year. Remember: You can include unreimbursed expenses for spouse and dependants! See IRS publications 502 & 503 for specifics on what the IRS allows or call your company's representative or ABS.

Focus on the kinds of expenses --you and your family normally have scheduled for the coming year. **Remember that you will not get your unused account funds back if you do not spend them in your plan year.**

Key Rules for Flexible Spending And Dependent Care Accounts

FSA and DCA plans are a great way to s-t-r-e-t-c-h your paycheck and save on the cost of unreimbursed medical, dental and child or eldercare expenses for you and your family. The IRS has rules for these plans as they involve tax savings. For example, dependent children that are in daycare, after school care or day camps must be *under* the age of thirteen (13). In order to participate in the Dependent Care Program (DCA) parent/s must be gainfully employed, seeking gainful employment or be full time students. Please study the following guidelines carefully to learn how to make this plan work effectively for you. Feel free to call ABS or your benefits point person should you have any questions!!

1. SAVE ALL Receipts for qualified expenses!

Submit your receipt(s) along with ABS's reimbursement form. Your Request may be mailed or faxed to ABS. ABS will reimburse you from your account. We recommend you save all your receipts in one place, perhaps in a file or envelope to help you stay organised throughout the plan year.

Receipts must show:

The date of the expense; it must be during the plan year -The kind of expense; to prove to the IRS that it is a qualified expense.

Examples of receipts include:

Receipts for office co-payments -receipts for prescriptions -Explanation of Benefit (EOB) statements from ~ company which shows the amount or percentage of a medical or dental charge your insurance company paid and how much you owe (i.e. deductibles, co-insurance payments, ineligible expenses, etc.) -the bill for the medical and/or dental expenses which your insurance company does not cover. Provide the page of your plan that states the - expense is not covered (this needs to be sent only one time as ABS will keep this documentation in your file). -receipts from daycare or eldercare facilities or copies of receipts you pay to in- home providers.

2. Submit your qualified receipts with ABS's Reimbursement form.

Receipts are required to verify that you are spending the money from your account on eligible expenses. You can submit your receipts once or as often as you like. However, processing of reimbursement checks require a minimum of \$20.00 of receipts. You may call ABS at any time to confirm the balance of your account. All participants will receive a reminder towards the end of the plan year which outlines your account balance.

3. Watch for quick reimbursement checks from ABS!

ABS is committed to sending your reimbursement checks quickly, usually within one week of receiving your signed Reimbursement Request form and receipts. We always send an Explanation of Benefits with your check to show you your updated account balance.

4. Spend all your money -You cannot get back what you do not spend.

The IRS has strict rules regarding reimbursement. When you enrolled, you told the IRS you were reducing your taxable salary by \$X for the plan year. According to the Federal Tax guidelines, your company receives any unspent money. HOWEVER, your company does not want you to lose this money! It is up to you to plan wisely and when you enroll, ask questions. ABS and your benefits' point person are more than willing to help you make this benefit work for you!

5. It is easy to avoid losing money!

When you are estimating how much you, your spouse and dependants will have in medical and dental expenses, think about your past expenses. Avoid thinking about the "worst case scenario" because you cannot predict those kind of extra expenses (and hopefully you will not have them!) . Avoid overestimating. It's easy to save money with this benefit as long as you plan properly

6. You cannot change or stop deductions during the plan year unless there exists the following circumstance(s):

- The birth or adoption of a child
- Marriage, divorce or legal separation
- Spouse employment changes
- Death
- Losing or quitting a job

7. You can only sign up once a year during re-enrollment for the upcoming plan year (unless you are a new employee in which case you will have a limited enrollment period).

These plans work on a 12 month "plan year". Our plan year is January 1 to December 31. The plan year is renewed every 12 months. At this time, you may change, sign up or waive participation.

8. Everyone must complete an enrollment form whether or not you wish to participate.

This must be done before the new plan year starts. Just like medical and dental benefits, your company must document that you are aware of this benefit and that you have elected to sign up for or waive it.

9. If you terminate your employment, you cannot submit receipts for expenses incurred after you leave your company.

You usually have 60 days after you leave the company to submit your receipts to ABS for remittance. Expenses will only be reimbursed for services incurred prior to the date of termination. (See your benefits department to discuss possible cobra options.)

10. Call ABS at any time with questions on how to save with this benefit.

ABS manages this benefit for many companies and can answer all of your questions. Call ABS at (860)-675-2261 or (877) 732-8125.

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