

Flexible Spending Accounts

BCPS contracts with HFS Benefits for Flexible Spending Account Administrative Services

What is a Flexible Spending Account

A Flexible Spending Account (FSA) permits you to pay for certain health care and/or dependent care expenses with pre-tax dollars. Because you will not pay any federal, state or social security taxes on income placed into the plan, you can potentially save \$30-\$40 for every \$100 you elect to defer. Eligible dependents for this account must be claimed as a dependent on your tax return.

If you spend your own money on:

- Co-payments and/or deductibles
- Doctor visits
- Prescription drugs
- Physical therapy and/or chiropractic care
- Prescription over-the-counter medications
- Dental care and orthodontic expenses
- Vision care, eyeglasses and contact lenses
- Laser eye surgery
- Child Care (under the age of 13)
- Before and/or after school care
- Day Camp/Summer camp
- Elder care

Keep reading! You can save up to **40%** on these and other costs by enrolling in a FSA.

How FSAs Will Save You Money

Most of us have expenses for medical services and supplies that are not reimbursed by any medical, dental, vision or other plan. Also, some of us have child care or elder care expenses that we incur so that we can work. If you anticipate expenses in either of these categories, enrolling in a Flexible Spending Account can save you money. Flexible Spending Accounts let you use untaxed money to pay for certain health care and dependent care expenses for you and your dependents. These are expenses that are not covered by any insurance plans or other sources. By participating, you lower your federal, state and Social Security taxes and increase your take-home pay.

There is no cost to participate in a Flexible Spending Account. You choose the pre-tax payroll contributions to make to your account; in fact, by participating in a Flexible Spending Account, you are actually using dollars you would have paid in taxes to help pay for your health care and/or dependent care costs.

**Learn How
To Keep More
In
Your Bank**



FSA Cost Comparison

*Maryland Resident in 15% Federal Tax

Your Cost Without a FSA

Gross Monthly Income	\$2500
Federal & State Tax	- 563
FICA Tax	- 191
Net Pay Check	\$1746
After-Tax Medical Expense	- 100
After-Tax Dependent Expense	- 400
Net Spendable Income	\$1246

Your Cost With a FSA

Gross Monthly Income	\$2500
Before-Tax Medical Expense	- 100
Before-Tax Dependent Expense	- 400
Adjusted Gross Income	\$2000
Federal & State Tax	- 450
FICA Tax	- 153
Net Spendable Income	\$1397

**Net Tax Savings =
\$151.00 per Month OR \$1812.00 per Year!**

How FSAs Work

- During open enrollment (or when you first become eligible) you decide how much you want to contribute from your pay to a FSA. You can establish a FSA for your health care expenses and/or for your dependent care expenses. Note that health care FSAs and dependent care FSAs are two separate accounts, and not interchangeable.
- When you enroll, you authorize your employer to deduct a certain portion of your earnings each pay period, before taxes. Your contributions are set aside in your FSA throughout the year via payroll deduction.
- When you have an eligible expense, you can use your FSA debit card or pay the cost up front and be reimbursed from your account. Remember, you do not pay taxes on the money reimbursed to you from your Flexible Spending Account.
- You can contribute up to \$5,000 a year to the dependent care FSA (or \$2,500 a year if you are married but file a separate tax return from your spouse). You can contribute \$4,000 a year to the health care FSA.
- If you have money left in your account at the end of the plan year, it cannot be returned to you nor carried over to the next plan year. For strategies on using your account balance, see How to Overcome "Use It or Lose It!"

How to Overcome “Use It or Lose It”

The IRS says that if you don't use all the money in your FSA by plan year end, the unused amount must be forfeited. Not to worry! Through careful planning, nearly all participants use all the funds in their FSAs each year. Here are just a few strategies you can use to be sure that you are making every penny in your FSA count.

- Plan ahead when enrolling – Base your contribution on your anticipated expenses for the plan year which are not covered by other insurance or benefit plans. One way to estimate those expenses is to look back at the health care and dependent care expenses you paid out of your own pocket during the past plan year. This can be the basis for your annual contribution, adjusted of course for any past or future extraordinary expenses. A worksheet is available on the website to help you plan. Go to www.fsaplan.info.
- Reschedule future health care appointments. If you reach the last quarter of the plan year and still have a significant balance in your account, consider accelerating future health care appointments before your plan year end.
- Pay for services that have limited coverage in your health care plans. Many health care plans offer some, but not full, coverage for certain expenses such as laser eye surgery, orthodontic visits and braces, prescription drugs, co-payments, etc. Be sure that you have requested reimbursement for any partial payments you have made for these services.
- If all else fails, start your own drug store. The end of the plan year is a good time to evaluate your home pharmacy. Throw away expired over-the-counter medications and replace them with a fresh supply of allergy medications, antacids, cold medications and pain relievers – all covered by your health care FSA. Participants are finding this an excellent way to use those last dollars in their account before year-end.
- And remember – even if you only use approximately 60-70% of the dollars you contributed to your account, you still break even thanks to the tax savings on the dollars you did spend!

IMPORTANT – FSA GRACE PERIOD

Recent IRS rulings permit employers to provide extended time for you to incur claims during the plan year. That means you have from September 1 through November 15 to incur expenses that can be paid with money you set aside for this year. The deadline for submitting claims for the prior plan year is November 30.

The FSA Debit Card

The FSA Debit Card offers the convenience of paying for your eligible expenses directly at the point of sale. It works a lot like your bank ATM debit card. Since the card lets you pay for eligible health care expenses directly from your health care FSA, it means no more paying cash for services up front. It also eliminates the waiting period for reimbursement checks and the hassle of filling out claims forms. The FSA debit card can be used at most health care providers where MasterCard is accepted. If you plan to use your FSA debit card to pay for daycare expenses, please check with your daycare provider to see if they are equipped to accept MasterCard.

Since the FSA plan is a pre-tax benefit, the Internal Revenue Service (IRS) requires that all purchases be substantiated. Therefore, you are required to submit copies of your receipts to the plan administrator to comply with the guidelines provided by the IRS.

For the health care FSA, the limit on your card is your annual elected contribution amount. For the dependent care FSA, the limit on your card is your YTD payroll deduction less your YTD reimbursed. If a service provider does not accept the card, you can always submit a claim for reimbursement. HFS will either mail a reimbursement check to your home address or issue a direct deposit into the bank account that you have provided. More information about the FSA Debit Card is available at www.fsaplan.info.

Required Recordkeeping

Save all your receipts in a convenient location since all purchases made with your FSA Debit Card must be verified. The plan administrator is required to substantiate all transactions that do not match an exact co-payment associated with your employer's health plan. This system will also be helpful when preparing your taxes!

Your New Administrator

Please contact your dedicated FSA Representative with any questions regarding your FSA plan. Our FSA Service Team is available Monday–Friday 8:00 a.m. to 5:00 p.m. ET.

HFS Benefits

Phone: 410-771-1331 or 1-888-460-8005 option#2

Email: customerservice@hfsbenefits.com

Fax: 410-771-5533 or 1-888-510-4218

Claims submission: claims@hfsbenefits.com

Debit Card Substantiation: debitcard@hfsbenefits.com

Mail: P.O. Box 1550, Hunt Valley, MD 21030-1550

Website and Online Access: www.hfsbenefits.com

All forms are available by contacting Benefits or from the FSA Website at www.hfsbenefits.com.