



P.O. Box 348 | One Dodge Street
North Greenbush, NY 12198
(518) 283-8500 | 800-698-4753
Fax (518) 283-2384

FLEXIBLE SPENDING ACCOUNT

DIRECT DEPOSIT AUTHORIZATION FORM

PARTICIPANT INFORMATION:

Employer Name:			
Participant Full Name (as it appears on the checking account):			
Participant Social Security Number:			
Participant Phone Number:			
Participant Email Address (<i>Required</i>):			

ACCOUNT INFORMATION:

Bank Name:			
Account Number:			
Routing Number:			

AGREEMENT

I hereby authorize Benetech to deposit applicable Flexible Spending Account reimbursements into the bank account listed above. I understand that I may discontinue this payment service at any time by notifying Benetech in writing.

Participant Signature*:		Date:	
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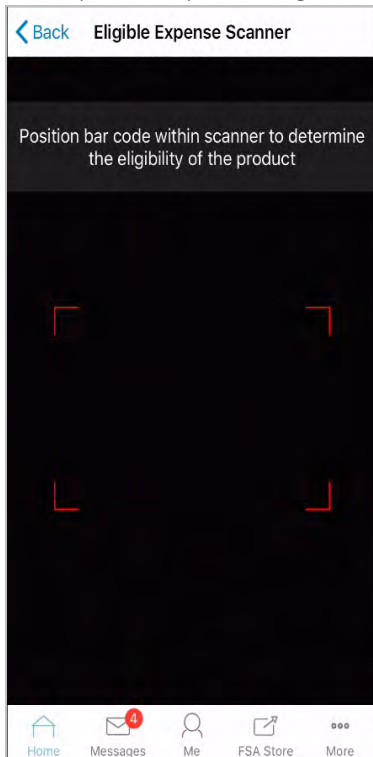
**(Must be an authorized signer on the checking account)*

- ❖ Participant must include a voided or cancelled check with the account information above to complete this authorization.
- ❖ Please submit the completed form and check to Benetech Inc. at:

P.O. Box 348
North Greenbush, NY 12198

Scan an Item Using the Eligible Expense Scanner

1. Tap the **Eligible Expense Scanner** link on the **Home** page in the Mobile App.
2. If this is the first time a consumer is using the Eligible Expense Scanner, the consumer must accept the one-time SIGIS end-user license agreement (EULA) by selecting the **I have read, understand and agree to the information and terms above** checkbox. The agreement must be viewed in its entirety. This agreement can be viewed at any time in the **Documents** section in the Mobile App.
3. Scan a product by centering the barcode within the red guidelines on the device screen.

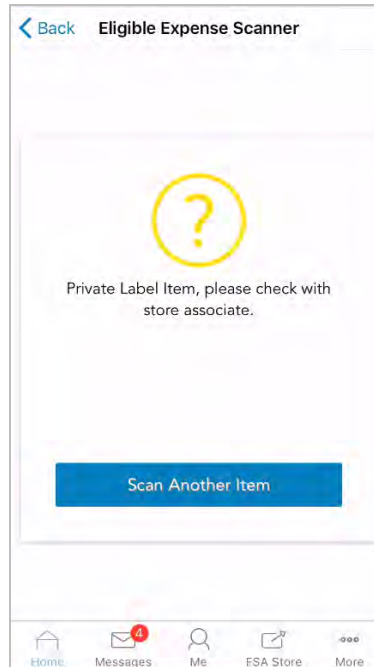
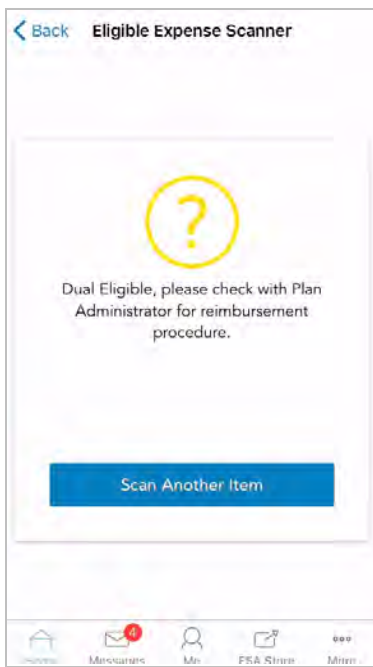
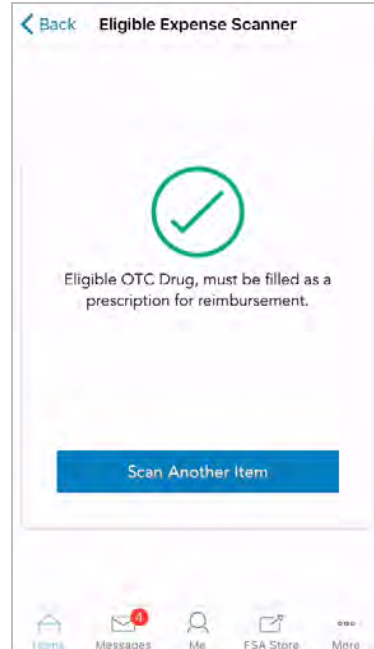
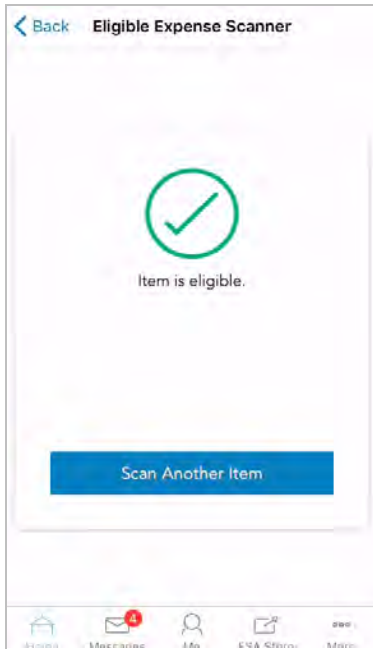


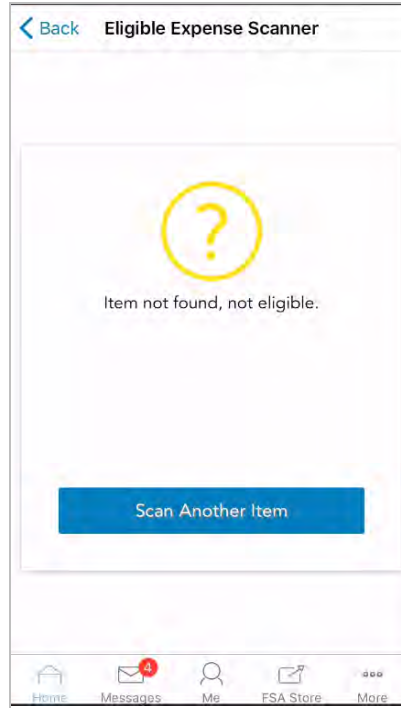
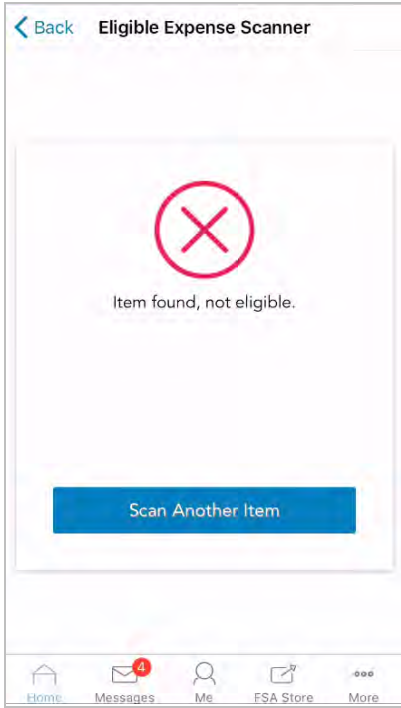
4. The app will return one of six response screens (see below).

Note: Consumers are limited to 100 bar scans per month. After the consumer reaches the limit of 100 for a given month, a message is displayed the next time the consumer attempts to scan a bar code.

Eligible Expense Scanner Response

The following are the six possible responses a consumer could receive when scanning a barcode. This text is not configurable.







Manage your healthcare accounts from the palm of your hand.

Want to check your healthcare account balances and submit receipts from anywhere? There's an app for that! **Benetech** lets you easily and securely access your health benefit accounts, submit claims and upload receipts at any time. You have quick access to common tasks¹ with an easy-to-use design that helps make sense of your health and financial information.

Stay up to speed

With **Benetech Benefits**, you can get to the healthcare account information you need—fast. Wondering whether you have enough money to pay a bill or make a purchase? **Benetech Benefits** puts the answers at your fingertips.

- Quickly check available balances and account details for medical and dependent care FSA, HSA, HRA, VEBA, transportation and premium reimbursement plans
- View charts summarizing account information
- Set account alerts and get notifications via text message
- View claims requiring receipts
- Link to an external web page to obtain helpful information such as a list of eligible expenses
- Retrieve a lost username or password
- Use your device of choice – including iPhone®, iPad®, iPod touch® and Android™ smartphones and tablet devices

Tap and take action

Make a payment, capture a receipt or take any number of actions – whether you're on the couch or waiting in line. With **Benetech Benefits**, you can get it done fast and enjoy the rest of your day:

- Submit claims for medical and dependent care FSA, HRA, VEBA, transportation and premium reimbursement plans
- Snap a photo of a receipt and submit with a new or existing claim, or store in your camera roll for later use in claim filing
- Request a distribution from an HSA account
- Contribute funds to an HSA account
- Access your account funds to pay yourself or someone such as doctor
- Add and store information on new payees
- Enter and view expense information and receipts
- Report a debit card as lost or stolen

¹ Some functionality listed may require additional products or services.

Imagine what you could do with **Benetech Benefits!**



Get Reimbursed Quickly

Let's face it – no one *really* likes to visit the doctor, dentists, pharmacy or other healthcare provider. But sometimes you do and you may forget to use your health benefits card. So, when you pay for a qualified medical expense using your own money, you want to maximize your dollars and be reimbursed from your pre-tax account. File a claim with a receipt or request a distribution from your HSA soon after it happens. Right from your phone. Right from wherever you are. Get the payment process started.



Track Receipts

Why is it that the one receipt you need is always the one you can't find? With **Benetech Benefits**, you can record a health expense and capture the receipt the moment the transaction happens. That's peace of mind with a touch of a button.



Check Balances

Wondering whether you can pay for an elective procedure or a mounting bill? Do a quick account check to see your current balance. No need to wait for an answer – it's right at your fingertips.

Get started with **Benetech Benefits** in minutes.



Download the **Benetech Benefits** app for your chosen device from the *Apple App Store* or *Google Play* and log in using the password you use to access the **Benetech** consumer portal.*

**Never logged into the consumer portal? No problem! Your username will be your first initial, last name, and the last four digits of your Social Security Number (e.g., jsmith1234). The password will be 2013. Log in and create your unique PIN to make logging into the app quick and easy!*



THE BENNY® PREPAID BENEFITS CARD – SUBSTANTIATION REQUIREMENTS

Individuals enrolled in a Flexible Spending Account (FSA) and/or Health Reimbursement Arrangement (HRA) often have questions about the IRS-mandated substantiation requirements when the **Benny® Card** is used to pay for a covered service/item.

What IRS Rules Govern Substantiation Requirements?

The IRS has very specific guidelines regarding substantiation requirements for all FSA and HRA transactions¹ -- including those made using a healthcare payment card like the **Benny® Card**.

How Does the Substantiation Process Work?

The substantiation process, which also helps avoid potentially adverse tax consequences for both the employer and the cardholders, is performed by Wex Health, the **Benny® Card** software vendor that Benetech partners with for the administration of FSA and HRA plans.

There are two ways by which FSA/HRA debit card purchases can be substantiated, in compliance with the IRS requirements:

Auto-Substantiation. Each day, the Wex Health software reviews all **Benny® Card** claims that were filed the previous day, using the specific methods set up for the employer group. The substantiation processes applied during this automated review are copay matching substantiation and recurring claims auto-substantiation.

- **Copay Matching:** billed charges by a provider that exactly match the applicable copay dollar amount under the employer's insurance plan, for up to 5 times that dollar amount. For example, a \$20 office visit charge at a doctor's office, up to 5 times that amount.
- **Recurring Claims:** charges that exactly match the provider and dollar amount for 3 previously approved and substantiated transactions. For example, a fixed monthly orthodontia payment.

Manual Substantiation. Under the IRS regulations, all purchases that do not qualify for auto-substantiation must be manually substantiated by the card holder by the submission of receipts or other documentation.

Source: https://www.irs.gov/irb/2006-31_IRB/ar10.html

¹ Each participating employee certifies upon enrollment and for each plan year thereafter that the card will only be used for eligible medical care expenses of the employee, the employee's spouse and dependents. The employee also certifies that any expense paid with the card has not been reimbursed and that the employees will not seek reimbursement under any other plan covering health benefits. The certification is printed on the back of the card and the employee-cardholder understands the certification is reaffirmed each time the card is used.

Examples include:

- Doctor, dentist, and other provider visits where the amount paid is not equal to the copay (for example, if the plan has an up-front deductible).
- Prescription drug transactions where the amount paid does not match the group plan's copay, at a pharmacy/supermarket/store that is not IIAS-Certified.

What Are Common Misunderstandings about the Substantiation Requirements?

1. If the **Benny® Card** is used for an eligible service, no further receipts or documentation are needed to support the expense.
2. Any claim for services received from a hospital, doctor, dentist, vision provider, etc. do not require receipts.

In day-to-day use, it's just not that simple! The vast majority of claims can be -- and are being -- auto-substantiated at the point of sale. Two examples:

- the charge from a primary care physician exactly matches the applicable office visit copay;
- a claim submitted from an IIAS-Certified pharmacy which includes the unique Rx identifying number

However, not all services from a medical, dental, vision or pharmacy provider are eligible expenses, or can be auto-substantiated at the point of service. For example, a dentist may perform teeth whitening, which is not an eligible expense; or, a non-IIAS-Certified pharmacy can fill a script, which is an eligible expense, but it cannot auto-substantiate that transaction. In all of these instances², the IRS requires that **the card holder** submit itemized receipts to verify that the expense was eligible for reimbursement under the FSA/HRA plan.



What is an IIAS-Certified Pharmacy, and How Does It Improve the Auto-Substantiation Results?

The Inventory Information Approval System (IIAS) is a Federally-mandated system used by pharmacy merchants that identifies eligible prescription and over-the-counter (OTC) items, and limits reimbursements on FSA and HRA healthcare payment cards to only those eligible items.

This system makes it much easier for debit card account holders to manage -- and pay for -- all eligible medications and other pharmacy expenses, since the IIAS-certified merchants are able to auto-substantiate purchases at the point of sale.

Source: https://www.irs.gov/irb/2006-31_IRB/ar10.html

² All other charges to the card are treated as conditional pending confirmation of the charge by the submission of additional third-party information, such as a receipt. Claims that are identified as not qualifying for reimbursement because of lack of additional information or otherwise, are subject to certain correction procedures.

All supermarkets, grocery stores, department stores, and wholesale clubs were required to implement the IAS merchant program in order to accept healthcare payment cards. You can read more about the IAS Certification Program at <https://www.sig-is.org/programs/ias-merchant-certification> and you can search for a current list of certified pharmacies, supermarkets, etc. at <https://www.sig-is.org/card-holders/store-locator>.

How Will a Cardholder Know if Manual Substantiation is Necessary?

Any time that a cardholder uses the **Benny® Card** for a claim(s) that could not be auto-substantiated, the cardholder will be contacted by Benetech -- via email or US mail -- advising them that documentation must be submitted for the claim(s) in question. The cardholder should respond as quickly as possible, and should contact Benetech immediately if they have any questions about the documentation request. If the cardholder does not respond to Benetech by the deadline stated in the initial correspondence, a second – and third, if necessary – request will be sent. Each subsequent communication from Benetech will include details about the claim(s) in question as well as a new deadline date for responding.

What Information Will Be Required as Documentation?

All receipts or documentation must include the following information: name of person who incurred the service or expense; name and address of the provider or merchant; date of service for the amount charged; detailed description of the service; amount due for the service provided. Receipts for eligible over-the-counter (OTC) items do not need to include the person's name, but the receipt must display the name of the item (e.g., band aids).

What Can Cardholders Do to Expedite the Manual Substantiation Process?

Cardholders should **always** save **all** of their itemized receipts for **every Benny® Card** transaction, as well as all explanation of benefits (EOBs) they receive from their health/pharmacy/dental/vision plans. Keeping these records in one designated envelope or folder will help cardholders find the necessary documentation if requested, and expedite the substantiation process considerably. NOTE: EOBs generally contain all of the required information and are excellent sources of documentation, but **credit card receipts and cancelled checks are not acceptable!**



What Happens If the Cardholder Does Not Respond to any of Benetech's Requests for Documentation?

The cardholder's **Benny® Card** will be temporarily suspended (i.e., cannot be used for further transactions) until the required documentation is received and the claim(s) have been verified by Benetech. At that time, the cardholder will also be asked to send a check to Benetech for the full amount of the reimbursement(s) in question. If payment in full is received, the full amount will be credited back to the cardholder's account for future use and the cardholder's **Benny® Card** will be reactivated.

What Happens If the Cardholder Does Submit the Required Documentation but the Claim(s) are Found to be Not Eligible for Reimbursement under the Employer's FSA/HRA plan, or the cardholder used the Benny® Card at an ineligible merchant?

To maintain the tax-favored status of the employer's FSA/HRA plan, and avoid adverse tax implications for the cardholder, the cardholder will be **required** to send a check to Benetech for the full amount of the reimbursement(s) in question. When received, the full amount will be credited back to the cardholder's account for future use; if the cardholder's **Benny® Card** had already been temporarily suspended, it will be reactivated upon receipt of the cardholder's full reimbursement check.

SUMMARY

- IRS rules require that all FSA and HRA claims -- including those submitted using the **Benny® Card** -- must be substantiated.
- If the claim cannot be auto-substantiated, **the cardholder** is required under the regulations to submit documentation to support the claim.
- Cardholders should save itemized receipts and documentation for all healthcare services—even when they paid using their **Benny® Card**.
- Using IIAS-Certified merchants for pharmacy and OTC purchases will significantly cut down on substantiation requests.
- The cardholder must reimburse the FSA/HRA plan for the full amount in question in those instances where the claim(s) submitted are found to be not eligible per IRS guidelines -- by sending a check to Benetech, which will be credited to the cardholder's account.



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Flexible Spending Account Dependent Care Expense Recovery Form

See reverse for instructions regarding this form.

Manage your account online: [Log in at https://benetech.lh1ondemand.com](https://benetech.lh1ondemand.com).

Your Employer's Name _____

Your Name: _____ Your ID#: _____

Your Home Address: _____ (Street) _____ (City) _____ (State) _____ (Zip)

If new address check here

Dependent Name(s)	Dependent(s) Date of Birth	Relationship To Employee

When submitting this form, you must either:

1. complete the information requested below and attach an Itemized Receipt/Statement or,
2. if an itemized receipt/statement is not available, complete the information requested and have the dependent care provider sign and date at the bottom of the section immediately below.

Dates of Service	Name of Provider and Tax ID#	Total Reimbursement Requested

Provider Signature _____ Date _____

Any Person Who Knowingly, and With the Intent to Injure, Defraud or Deceive any Employer or Administrator, Files a Statement of Claim Containing any False, Incomplete or Misleading Information May be Guilty of a Criminal Act Punishable Under Law.

I hereby certify that:

1. the above statements are complete and accurate;
2. I agree to reimburse my employer and/or the administrator for any overpayments (payments in excess of the amounts payable under the plan); and,
3. any amounts reimbursed to me under this Plan will not be claimed as a deduction on my personal income tax return and will not be reimbursed to me by other health plan coverage, including a Health Reimbursement Arrangement (HRA) plan or Health Savings Account (HSA).

Your Signature _____ Date _____

Instructions for completing this Flexible Spending Account
DEPENDENT CARE EXPENSE RECOVERY FORM

The form should be completed and signed by the Employee who established the Flexible Spending Account with the Employer listed in the first section on page 1

- Enter your name, Employee ID Number (last 4 digits of your Social Security Number), and your home address.
- Check the box if this is a new address.
- List the dependent's name(s), dates(s) of birth and their relationship(s) to you (the employee). If the dependent is not a child, please specify the relationship in the "Other" field. Reimbursement requests for multiple family members may be submitted on the same form.
- List the earliest (oldest) date of dependent care through the last (most recent) date of dependent care being submitted. For example: (6/5/16-6/16/16). List the name of the dependent care provider and either the Tax Identification Number (TIN) of the facility or the Social Security Number (SSN) of the individual care provider. Indicate the grand total requested for reimbursement.
- **The Employee's signature is required**, as indicated by the bold arrow. Please date the form as well in the space provided.
- This claim form and supporting documentation {itemized receipt(s) or statement from the provider; etc.} may be submitted to Benetech via:
 - **US mail** -- to the address at the top of page 1; or,
 - **Fax** – to 518.283.2384; or,
 - **Email** – to flexinfo@benetechadvantage.com

Medical Expense Recovery Form Instructions

The form should be completed and signed by the Employee who established the Flexible Spending Account with the Employer listed in the first section on page 1.

- Enter your name, Employee ID Number (last 4 digits of your Social Security Number), and your email address.
- For each expense the following information is required:
 - List each date of service on a separate line (no date ranges please).
 - List the patient(s) name(s) and relationship(s) to you (the employee). Reimbursement requests for multiple family members may be submitted on the same form. Use separate lines for each patient.
 - List the name(s) of the provider(s). Indicate the grand total requested for reimbursement.
- If you need additional space for extra dates of services, please use an additional form or you may use a spreadsheet. If using a spreadsheet, all required information must be included and that spreadsheet must accompany a signed form. Spreadsheets without an accompanying form will not be accepted.
- Read the certifications carefully to make sure you understand your responsibilities and accountability.
- **The Employee's signature is required**, as indicated by the bold arrow. Please date the form as well in the space provided.

- **Substantiating documentation must accompany the form** (e.g., explanation of benefits (EOBs), itemized receipts, etc.). Itemized receipts need to include:

- Patient name (name of person who incurred the service or expense)
- Name and address of the provider or merchant
- Date of service for the amount charged
- Description of service
- Amount due for the service

Receipts for over-the-counter (OTC) items do not need to include the person's name, but the receipt must display the name of the item (e.g., bandages).

Local Pharmacy
12 Main Ave
Mytown, NY 12345
(800) 555-1234

★ DATE 08/01/17

★ Patient: **JOHN DOE (518) 555-9876**
Rx #: 1234567-12345

★ AMOXICILLIN 500MG CAPSULES
QTY: 90 0 Refill

★ \$8.00

- Submit the form and substantiation to Benetech via:
 - **US mail** -- to the address at the top of the page; or,
 - **Fax** – to 518.283.2384; or,
 - **Email** – to flexinfo@benetechadvantage.com

> Dependent Care FSA

Contribution Limits & IRS Regulations

The IRS sets the maximum dollar amount you can elect and contribute to a dependent care flexible spending account (dependent care FSA). The annual contribution limit is:

Per household: \$7,500

Per person (if married and filing separately): \$3,750

Although most people incur more than the limit per year, we recommend reviewing how much you spend on eligible dependent care expenses every year to determine your election.



Funds available as you contribute

Funds will be available to you as they're deducted from your paycheck and contributed to the plan. This means when payroll is processed and your paycheck is available to you, your dependent care FSA contributions will be applied to your account and available for reimbursement.



Use-or-lose

Don't forget to spend your FSA dollars. If you have not used all of your FSA dollars before the end of the plan year, you will forfeit any money left in your account. (Check with your employer to confirm how many days you have to submit claims for reimbursement after the plan year ends.)



Fast Fact

A great way to set it and forget it is to use our Recurring Dependent Care Form that allows you to submit one claim for the entire year and you will be reimbursed after each payroll.

Changing your dependent care FSA election

In order to make changes to your election after open enrollment, you need to experience a qualifying life event. These events include:

- Change in marital status
- Change in the number of dependents
- Increase due to birth, adoption or marriage
- Decrease due to death, divorce or loss of eligibility
- Gain or loss of eligibility due to a change in participant, spouse or dependent employment status
- Change in daycare providers
- Child turning age 13
- Increase or decrease in the cost of qualifying daycare expenses
- Judgement, decree or order requiring a change in coverage

If you experience a qualifying life event, contact your employer to make changes to your election.



Flexible Spending Account Worksheet

When determining how much you would like to contribute to your Flexible Spending Account, you should keep in mind the following:

- In most cases, an employee may not make a mid-year change in the amount he or she has elected to contribute to a Flexible Spending Account.
- Money remaining in a Flexible Spending Account at the end of the plan year must be forfeited. However, up to \$660 of unused funds may be carried over from one year to the next. In addition, any amount that is carried over does not count toward the maximum contribution limit.
- Over-the-counter medicines and drugs (other than insulin) are only reimbursable if accompanied by a prescription.

This worksheet can be used to estimate how much you should elect to contribute to your Flexible Spending Accounts.

Health Flexible Spending Account	
Expenses not covered by insurance may include:	
Deductibles, coinsurance or copayments	\$
Dental care (exams, fillings, crowns, orthodontia, dentures, bridgework, partials)	\$
Hearing care (exams, hearing aids, batteries)	\$
Infertility treatment	\$
Insulin and diabetic supplies	\$
Prescription drugs (e.g., cholesterol medications)	\$
Transportation expenses (to receive medical care)	\$
Vision care (exams, contacts & supplies, eyeglasses, laser surgery)	\$
Weight loss program (done at doctor's direction to treat an existing disease)	\$
Wheelchairs and other special equipment	\$
Other	\$
Annual Health Flexible Spending Account Election	\$

Dependent Care Flexible Spending Account	
Annual maximum allowable expense of \$5,000.	
Day babysitters/Day care centers (day care expenses for dependents up to age 13)	\$
Elder care	\$
Day camp	\$
After-school programs	\$
Nursery school	\$

Total pretax contributions to Flexible Spending Accounts:	\$
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HEALTH FSA GUIDE

Provided by Benetech



HEALTH FSA GUIDE

Table of Contents

What Are Health FSAs?	3
Why Have a Health FSA?	3
How Do Health FSAs Work?.....	4
FSA Case Studies	7
Appendix – Qualified Medical Expenses.....	9



HEALTH FSA GUIDE

Paying for health expenses can be stressful, but planning ahead and putting money in a health flexible spending account (FSA) will help you save on taxes while keeping a reserve of money available for health care costs. Although FSAs are a great way to help you pay for medical expenses, they can be confusing if you haven't worked with one before. This guide will walk you through what health FSAs are, what they can pay for and how they work.

What Are Health FSAs?

An FSA is an employer-sponsored savings account for health care expenses. You are not taxed on the money put into the FSA, and you can then use the account to pay for qualified out-of-pocket health care costs, such as your deductible and copays, but not your premium. However, you cannot stockpile money in the account from year to year, and you will lose leftover money in the account at the end of the plan year unless your employer offers an option that allows for either a short extension or a small carry-over into the next year.

FSAs were created in the 1970s to enable employees to use pre-tax dollars for health care expenses that were not otherwise covered by employer-sponsored health coverage. These accounts gained more popularity in the 2000s, and they underwent a few changes with the Affordable Care Act (ACA), including the addition of an annual contribution limit.

Health FSAs can save you money on taxes while helping you regularly put aside money for health care expenses. If carefully planned, using an FSA for health care costs can be an asset to your family's budget.

Why Have a Health FSA?

Health FSAs offer an option for setting aside money to use for qualified medical expenses. These accounts offer a convenient way to prepare for out-of-pocket medical expenses while saving on taxes. In addition, you can use your health FSA to pay not only for your medical expenses, but also for the medical expenses of your spouse and dependents.

Health FSA Advantages

Here are some of the advantages an FSA can provide:

Tax reductions: The amount you contribute to a health FSA is not subject to federal income tax or social security (FICA) tax—effectively adjusting your annual taxable salary. The taxes you pay each paycheck and collectively each plan year can be reduced significantly.

- Your employer can also contribute to your FSA, and this amount is also not considered taxable income to you.
- You can withdraw money from your FSA to pay for qualified medical expenses (see Appendix) and your withdrawals are not taxed.
- You do not have to report FSA amounts on your income tax return.

Convenience: After the initial election at the beginning of the year, your employer will take care of transferring the allotted amount into your FSA through salary deferral.

Flexibility: You can withdraw health FSA funds at any time (for qualified medical expenses), even if the amount has not yet been deposited into the account, as long as the amount is no more than your elected annual deferral amount less any amount already used.



HEALTH FSA GUIDE

Is a Health FSA Right for You?

FSAs can save you money because you don't have to pay taxes on the amount deferred to the account. However, using an FSA does require careful planning in order to reap the financial benefits.

When you participate in an FSA, you have to decide at the beginning of the plan year how much to contribute for the year. Because you will generally lose what you don't use by the end of the year, determining how much to defer into an FSA can be challenging. While correctly estimating your health care expenses and using an FSA to pay for those expenses will save you money, incorrectly gauging your health costs could cause you to lose money.

How your employer manages the FSA may also affect how much you will benefit from using an FSA. If the employer provides a grace period or carry-over option (see "Grace periods and carry-overs" section), you will have a little more flexibility when using your FSA funds. The largest downside to using an FSA is that if you overfund your FSA and don't use the amount in there, you will lose what you've saved.

How Do Health FSAs Work?

At the beginning of the year, you elect the total amount you want to have withdrawn from your paychecks to put into your FSA, and your employer will deposit the money into the account in equal allotments throughout the year. The IRS has outlined rules guiding eligibility, contributions and reimbursements.

FSA Eligibility

FSAs are employer-sponsored benefit plans, and the employer can choose what other type of group health plan coverage to offer with the FSA. FSAs can be offered with any type of health plan—FSAs are not tied to a high deductible health plan (HDHP) like health savings accounts (HSAs) are. Self-employed individuals are not eligible for an FSA, and restrictions may apply for highly compensated individuals or key employees.

Opening Your FSA

The FSA is sponsored by your employer as one of your employee benefits. You will need to choose how much you want to contribute to your FSA. The amount you elect will be for the entire plan year, and your employer will then deduct the corresponding amount from your paycheck with each pay cycle. This is sometimes referred to as a salary reduction arrangement.

Contributions

After your initial contribution election, you ordinarily cannot change your election for a plan year during the year. Your elected contribution amount can only be changed if you experience a permitted election change event, such as a change in family status and your FSA permits you to change your election.

The amount you choose to transfer into your FSA should be based on the amount of qualifying medical expenses you anticipate your family incurring during the plan year. Start by looking at your family's medical expenses for the past year and then determine whether your family will likely have those same expenses again and whether there will be any new expenses. Use this estimate to help you choose what amount you would like to contribute to your FSA, remembering that it is typically best to underestimate by a little than to overestimate and lose that money at the end of the year.

Limits – In 2026, the maximum amount you can contribute to your FSA is \$3,400 which is indexed for inflation and therefore may change year to year. The employer may implement a lower annual limit than the federal maximum.

Who can contribute – Both you and your employer may contribute to your FSA. However, your employer is not obligated to contribute to the account.



HEALTH FSA GUIDE

Grace Periods and Carry-overs

The FSA operates with a use-or-lose rule, meaning if you don't use the money in your FSA by the end of the plan year, you will lose it. However, the use-or-lose rule was relaxed with two options that employers may choose to offer: a grace period or a carry-over. The grace period can last up to 2 ½ months into the next year, typically March 15 for a calendar year plan. Generally, only expenses you incur during the plan year can be reimbursed from the funds in your FSA, but if your FSA has a grace period, you can use those unused funds in your FSA for expenses incurred during the grace period.

Under the carry-over option, an FSA may allow participants to carry over up to \$680 in unused money at the end of the plan year to be used to reimburse expenses incurred in the next year. The carry-over does not count toward the annual maximum allowable contribution. Employers are not required to offer either of these options, and they may only offer one of the two options, not both.

If you have funds in your FSA at the end of the year, you might consider scheduling a checkup, dental cleaning or similar appointment before the end of the year in order to use up the leftover funds before they are lost.

Using Your Health FSA

FSAs must comply with a uniform coverage rule. The uniform coverage rule provides that an employee's entire annual FSA election amount, less any amount already used, must be available at any time of the plan year—even if that full amount has yet to be contributed to the account. This means that the entire amount of your election is available for your use at any time of the year. For example, if you elect \$1,000 for your annual contribution, and you incur qualified medical expenses of \$800 in January, your FSA will reimburse you for the \$800 even though that amount has not yet been deducted from your salary.

When you are paying for a qualified medical expense that you would like to use your FSA funds for, you typically have two choices: using a health payment card or requesting reimbursement.

Health Payment Card

Some employers may provide you with a health care payment card, which is very similar to a debit or credit card, and you can pay for eligible medical services or products by swiping the card as you would a debit or credit card. The money will then be deducted from your FSA account.

Health care payment cards may be used only on eligible medical expenses that are not reimbursed or covered by another source. Health care payment cards may not be used to cover more than the maximum dollar amount of coverage available in your FSA.

As a general rule, every claim paid with a health care payment card must be reviewed and substantiated. The IRS guidance allows automatic adjudication for certain card transactions, meaning that receipts do not need to be submitted for verification of expenses for which a health care payment card is used. This applies in three situations at medical providers and 90-percent pharmacies (drug stores and pharmacies where at least 90 percent of the store's gross receipts during the prior taxable year consisted of medical expenses):

- When the total cost of the transaction is equal to the standard copayment for the service(s) received
- When the transaction is for recurring expenses that have previously been approved
- When the merchant provides expense verification to the employer when the transaction takes place

Reimbursement

Another way to pay for eligible medical expenses with your FSA funds is to pay out-of-pocket and then submit receipts for reimbursement. Your account will have specific instructions for how to do this. When submitting for reimbursement, you will need your receipts and proof that what you paid for was an eligible medical expense; this is one of the reasons it is important to keep all receipts and related paperwork from your health care provider.



HEALTH FSA GUIDE

Qualified Expenses

Employees may use their health FSAs to pay for or reimburse themselves for their own eligible medical expenses, as well as their spouses' and dependents' eligible medical expenses. Eligible medical expenses are unreimbursed medical care expenses, as defined under Section 213(d) of the Internal Revenue Code. An employer can more narrowly define the expenses that can be reimbursed from an FSA. Health FSAs cannot be used to pay for non-medical expenses. Your FSA cannot be used to pay for health insurance premiums, long-term care coverage or expenses, or amounts already covered under another health plan. See Appendix for a list of qualified medical expenses.

Life Events

Certain life events may affect your FSA.

Employment status changes – Your employer owns the FSA. Typically, if you leave your job before you've used the FSA funds, the employer will keep the amount left in the account. However, you may be eligible to elect COBRA and continue your FSA until the end of the year.

Death – If you die, the contributions to your FSA will stop, but your survivors can file claims until the filing deadline for any remaining eligible expenses that you or your family members incurred.

FSA Recordkeeping

In most cases, you will have to submit receipts and other proof that you purchased an eligible medical service or product in order to receive reimbursement. Make sure you retain all receipts, Explanation of Benefits (EOBs) and other documents to ensure that you have the necessary proof to obtain reimbursement from your FSA.

HEALTH FSA GUIDE



FSA Case Studies

Example of tax savings in a year

Flexible spending accounts provide you with an important tax advantage that can help you pay for health care expenses on a pretax basis. As a result of the personal tax savings you incur, your spendable income will increase. The example that follows illustrates how an FSA can save money.

Bob and Jane's combined gross income is \$30,000. They are married and file their income taxes jointly. Since Bob and Jane expect to spend \$3,000 in medical expenses in the next plan year, they decide to direct a total of \$2,600 (the maximum allowed amount per individual, for that taxable year) into their FSAs. (See table)

	Without FSA	With FSA
Gross income	\$30,000	\$30,000
FSA contributions	\$0	-\$2,600
Gross income	\$30,000	\$27,400
Estimated taxes		
Federal	-\$2,550*	-\$1,776*
State	-\$900**	-\$750**
FICA	-\$2,295	-\$1,913
After-tax earnings	\$24,255	\$22,961
Eligible out-of-pocket medical expenses	-\$3,000	\$400
Remaining spendable income	\$21,255	\$22,561
Spendable income increase	--	\$1,306

* Assumes standard deductions and four exemptions

** Varies, assumes 3 percent

This example is for illustrative purposes only. Every situation varies and it is recommended you consult a tax advisor for all tax advice.

HEALTH FSA GUIDE



Example of a carry-over

Jill elected \$2,000 for her FSA for the first year. She used \$1,200 for qualified medical expenses, but at the end of the year had \$800 left. Her employer offers the option of a \$500 carry-over into the next year. She will lose \$300 from that first year, but can carry over \$500 to her FSA for the next plan year. She is expecting to have an expensive surgery and decides to elect the maximum allowable contribution of \$2,600 for that taxable year. The \$500 carry-over is added to this, so she has \$3,050 in her FSA for her out-of-pocket medical expenses in the second plan year.

Year One Activity	FSA Balance
Elected \$2,000	\$2,000
Used \$1,200	\$800
Carries over \$500 (loses the extra \$300)	\$500
Year Two Activity	
Elects \$2,600	\$3,100



Appendix—Qualified Medical Expenses

The qualified medical expenses that can be reimbursed by an FSA on a tax-free basis are limited to expenses for medical care (as defined in the federal tax code) for the employee and his or her spouse and dependents, to the extent those expenses are not reimbursed by any other health coverage. The federal tax code defines medical care expenses as amounts paid for the diagnosis, cure, mitigation or treatment of a disease, and for treatments affecting any part or function of the body. The expenses must be primarily to alleviate a physical or mental defect or illness.

The products and services listed below are examples of medical expenses that may be eligible for payment under your Flexible Spending Account, when such services are not covered by your health plan. This list is not exhaustive; additional expenses may qualify as medical expenses, and the items listed below are subject to change. Also, your FSA plan may have additional restrictions on the types of expenses it will reimburse.

- Acupuncture
- Alcoholism treatment
- Ambulance
- Annual physical exam
- Artificial limb
- Artificial teeth
- Bandages
- Birth control pills
- Body scan
- Breast pumps and supplies
- Breast reconstruction surgery following mastectomy for cancer
- Capital expenses (improvements or special equipment installed to a home, if meant to accommodate a disabled condition)
- Car modifications or special equipment installed for a person with a disability
- Chiropractor
- Contact lenses
- Crutches
- Dental treatment (not including teeth whitening)
- Diagnostic devices
- Disabled dependent care expenses (medical care of the disabled dependent)
- Drug addiction treatment
- Eye exam
- Eye glasses
- Eye surgery
- Fertility enhancement (for example, in vitro fertilization or surgery)
- Hospital services
- Laboratory fees
- Lactation expenses
- Lodging at a hospital or similar institution

HEALTH FSA GUIDE

- Medical conference expenses, if the conference concerns a chronic illness of yourself, your spouse or your dependent
- Medical information plan
- Medications, if prescribed
- Nursing services
- Operations
- Optometrist
- Osteopath
- Oxygen
- Physical exam
- Pregnancy test kit
- Prosthesis
- Psychiatric care
- Psychoanalysis
- Psychologist
- Sterilization
- Stop-smoking programs
- Surgery
- Special telephone for hearing-impaired individual
- Television for hearing-impaired individuals
- Therapy received as medical treatment
- Transplants
- Transportation for medical care
- Vasectomy
- Vision correction surgery
- Weight-loss program if it is a treatment for a specific disease
- Wheelchair
- X-rays