

Flexible Spending Arrangement Guide

Get reimbursed for out-of-pocket medical and dependent care expenses with tax-free dollars

What Is A Flexible Spending Account?

A Flexible Spending Account (FSA) is a benefit your employer provides allows you to pay certain medical and dependent care expenses with pre-tax money. You will not pay any federal, Social Security, and in most cases state or local taxes on the funds you allocate into the plan. You can save an estimated \$20 to \$40 on every \$100 you elect to defer. The amount of your savings will depend on your federal, state, and local tax brackets. It is important that you understand how FSAs work in order to maximize you're/their valuable advantages. This participant guide will help you understand these accounts, their rules, reimbursement procedures, and the election process. For further information on FSAs now or during your participation contact Human Resources.

Who is Eligible for the FSA?

All current full time employees are eligible to participate. The plan begins January 1 and continues through December 31. To participate, enrollment forms must be received prior to December 15. New employees hired during the year become eligible on their hire date. Deductions begin the first pay period during the plan year or for new hires the first pay period after they become eligible and the enrollment form has been received.

Changes in Your Elections

Once you have enrolled in an FSA you may not make any changes to your election unless you have a change in family status such as:

- Marriage
- Divorce
- Birth or adoption
- Change in Spouse's employment status
- Death of a dependent (child or spouse)
- Unpaid FMLA or Non-FMLA leaves
- Involuntary loss of spouse's medical or dental coverage

The change in election must be consistent with the change in status that has occurred and you must contact Human Resources within 30 days.

Before Enrolling...Forfeiting Funds

Under an Internal Revenue Service rule, Albion College is allowing employees enrolled in a Medical Expenses or Dependent Care Expenses FSA a grace period to March 15 of the upcoming year to incur eligible expenses in order to file claims against unused balances from the previous plan year. The extension is designed to help employees avoid losing the money they put into their FSA but have not claimed by the end of the calendar year. However, receipts for reimbursement being applied to the previous year FSA balance must be submitted to Human Resources by May 15th. It is important to keep this extension in mind and be aware of balances in you're a current FSA account when you determine your upcoming year FSA contributions. Any money you do not use from an FSA for expenses incurred during a plan year will be forfeited. This is governed under the IRS's "use it or lose it" rule. To avoid this, you should plan carefully.

Reimbursement Schedule - http://www.albion.edu/hr/Flexible_Spending_Account.asp

To assist you in planning for reimbursement through the flexible benefits program, deadlines and check dates have been put in place and are available online at http://www.albion.edu/hr/Flexible_Spending_Account.asp. The “deadline” (which is on Wednesday unless otherwise noted) is when reimbursement request forms must be turned into the Human Resources office. The “check date” is when your reimbursement check will be taken to the Campus Post office for distribution.

Minimum Check Amount

The minimum check amount is \$10.00 with the exception of end-of-year claims.

Transferring Funds

IRS regulations do not allow money to be transferred between reimbursement accounts. You cannot transfer unused funds from Medical Expense to Dependent Care accounts or vice versa.

Medical Reimbursement Account Introduction

Almost everyone has a number of necessary, predictable expenses that are not covered by their insurance programs. The Medical Reimbursement Account will help you pay for these predictable expenses.

Eligible Expenses

With this account, you can pay out of pocket healthcare expenses for yourself, your spouse and all of your dependents for healthcare services that are incurred during your plan year and while an active participant. Your eligible healthcare expenses can be reimbursed regardless of whether you or your dependents are covered by a medical or dental plan sponsored by Albion College. *For a complete list of eligible expenses see IRS Publication 502 “Medical and Dental Expenses.”*

Examples of Eligible Expenses

- Immunizations/Vaccines • Acupuncture • Birth Control Pills • Dental Treatment
- Coinsurance/Deductibles • Chiropractors • Contact Lenses/Solution • Nursing Services
- Artificial Limbs/Teeth • Optometrists • Laser Eye Surgery • Insulin • Diagnostic Services
- Physical Therapy • Operations/Surgery • Crutches • Alcoholism Treatment • Psychologist
- Psychiatric Care • Flu Shots • Psychoanalysis • Laboratory Fees • Eye Exams/Glasses
- X-rays • Fluoridation Device • Osteopath • Medicines (physician prescribed)
- Christian Science Practitioners • Smoking Cessation (prescription) • Prescribed Massage Therapy • Adoption (med. expenses prior to finalization) • Over-The-Counter Medications used for treating an injury or illness

Ineligible Expenses

Some expenses that you incur during the year may not be eligible for reimbursement under current IRS regulations.

- Medical expenses not yet rendered cannot be reimbursed. Medical services do not have to be paid, but must have been rendered during the plan year and while an active employee, to be eligible for reimbursement.

- Premiums for any insurance policies are not eligible for reimbursement through your FSA account.
- Expenses paid by an insurance company are not eligible for reimbursement; only the portion you have to pay out of your pocket for your healthcare and dental expenses for reimbursement.

For a complete list of ineligible expenses see IRS Publication 502 “Medical and Dental Expenses.”

Examples of Ineligible Expenses

- Funeral Expenses • Household Help • General Health Vitamin’s • Diaper Services
- Breast Augmentation • Maternity Clothes • Hair Transplants/Removal • Face Lifts
- Teeth Whitening • Electrolysis • Cosmetic Surgery • Marriage/Family Counseling
- Custodial Care in an Institution • Charges by LPN for healthy newborn care
- Toiletries, Toothpaste and Related Items • Meals (for away medical treatment) • Non-Therapeutic Massage Therapy

Medical Reimbursement Account Letter of Medical Necessity

Certain expenses may be eligible for reimbursement with a letter of medical necessity from your physician. Without this documentation your expense could be ineligible for reimbursement. The letter from your doctor should state specifically what illness or disease you are being treated for and the length of time you will be required to use this treatment. Two examples are:

- Massage Therapy
- Weight loss programs including behavioral counseling, nutritional counseling, surgery, and pharmacology rendered by a licensed professional. Meals and nutritional supplements, health club dues, are not typically reimbursable.

Reimbursement

You may submit claims for reimbursement that exceed your current account balance but not in excess of your annual elections. The funds that you are reimbursed will be recovered as deductions continue to be deposited into your account throughout the plan year. To obtain reimbursement from your FSA, you must complete a Flexible Spending Account Reimbursement Form and attach all itemized receipts from the service provider.

Receipts must include:

- Name of employee or dependent
- Dates of service (during the plan year)
- Name of Service Provider
- Charges incurred

Or

- Insurance Explanation of Benefits (EOB) which must include:
- Name of employee or dependent
- Dates of service (during the plan year)
- Name of Service Provider
- Charges incurred

All submitted expenses are reviewed according to the regulations of Internal Revenue Code Section 125. All claims must be substantiated and appropriate documentation must be provided. Some expenses may require documentation from your physician. **Canceled checks, bankcard receipts, credit card receipts and credit card statements are NOT acceptable forms of documentation.** You are responsible for paying your healthcare provider directly.

Contribution Limits

The maximum annual contribution for Medical Expenses is \$5,000 per family and the minimum contribution is \$10 per pay period.

How to Enroll

Step 1

Carefully estimate your eligible medical expenses for the upcoming year. You may use the Expense Estimation Worksheet included in this guide to help you determine your annual Medical expenses.

Step 2

Determine your contributions. Complete the Enrollment Form, which instructs Albion College to set aside a certain amount of money for your expenses. This amount will be contributed on a pre-tax basis from each of your paychecks to your Medical Reimbursement Account. Remember the amount you select will be set aside before any federal, Social Security, state and local taxes are calculated. Make sure to divide your total expenses by the proper number of pay periods.

Dependent Care Reimbursement Account Introduction

The Dependent Care Reimbursement Account allows you to pay for day care expenses for your qualified dependent/child with pre-tax dollars.

Eligibility Requirements

Eligible dependents must be claimed as an exemption on your tax return. These can include stepchildren, grandchildren, adopted or foster children. In a divorce situation you must have custody of the child in order for the child to be considered an eligible dependent. Eligible dependents are further defined as:

- Under age 13
- Physically or mentally unable to care for themselves such as:
 - Disabled spouse
 - Disabled child
 - Elderly parents that live with you

For dependent care expenses to be eligible for reimbursement, you must be working during the time your eligible dependents are receiving care. If you are married, your spouse must be either:

- Working at the time services are rendered
- Full-time student for 5 months during the year
- Mentally or physically disabled and unable to provide care for him or herself

- In the event of divorce, non-custodial parent cannot make a claim unless they have custody 6 or more months per year

Contribution Limits

The annual maximum contribution may not exceed the lesser of the following:

- \$5,000 (\$2,500 if married filing separately)
- Lesser of you or your spouses yearly wages
- Maximum is reduced by spouse's contribution to a Dependent Care FSA
- The annual minimum contribution for our plan is \$10 per pay period.

Reimbursement

You will only be reimbursed for up to your account balance at the time you submit your claim. If your claim is for more than your account balance, Human Resources will track the unreimbursed portion of your claim. You will be automatically reimbursed as additional deductions are taken and deposited into your account, until your entire claim is paid out.

How to Receive Reimbursement

To obtain reimbursement from your dependent care account, **you must complete a Flexible Spending Account Reimbursement Form and attach itemized receipts that include:**

- **Name of Dependent Receiving Care**
- **Dates of Service**
- **Name of Service Provider**
- **Provider's SS# or Tax ID Number**

All submitted expenses are reviewed according to the regulations of Internal Revenue Code Section 125. All claims must be substantiated and appropriate documentation must be provided. Some expenses may require documentation from your physician.

Canceled checks, bankcard receipts, credit card receipts and credit card statements are NOT acceptable forms of documentation. You are responsible for paying your provider directly.

Examples of Eligible Expenses

Eligible dependent care expenses are those expenses you must pay for the care of an eligible dependent so that you and your spouse can work. The care may be provided either in your home or at a licensed center outside of your home. If the care is provided in your home, then the service cannot be provided by a child of yours under age 19, by your spouse or by your dependents. If the care is provided outside of your home, the facility must be in compliance with all applicable state and local regulations. *For a complete list of eligible expenses see IRS Publication 503 "Dependent Care Expenses."*

Eligible Expenses

- Day Camps • Au Pair • Before and After Care • Nannies • Baby Sitters • Nursery School
- Sick Child Centers • Private Pre School • Licensed Day Care Centers • Daycare for an Elderly Dependent • Daycare for a Disabled Dependent

Examples of Ineligible Expenses

Only those dependent care expenses that enable you and your spouse to work are eligible.

- Educational costs and weekend or evening-out babysitting do not qualify. Overnight camp expenses are also ineligible. You cannot be reimbursed for any dependent care expenses if your spouse does not work, unless your spouse is a full-time student or is disabled.
- Kindergarten expenses are ineligible as an expense if it is primarily educational, regardless if it is half or full day, private or public state mandated or voluntary.
- Transportation, books, clothing, food, entertainment and registration fees are ineligible if these expenses are shown separately on your bill.

Dependent Care Reimbursement Account Ineligible Expenses

- Registration Fees
- Overnight Camps
- Leave of Absence or Vacation
- Tuition Expenses Including Kindergarten
- Baby Sitting for Social Events
- Food Expenses (if separate from dependent care expenses)
- Care Provided By Children Under 19 (or by anyone you claim as a dependent)
- Days Your Spouse Does Not Work (although you may still have to pay the provider)

How to Enroll

Step 1

Carefully estimate your eligible dependent care expenses for the upcoming year. Then use the special Expense Estimation Worksheet to help you determine your total expenses for the year. One big advantage with the Dependent Care Spending Account is that you realize the savings immediately rather than waiting until you file your tax return.

Step 2

Complete the Enrollment Form, which instructs Albion College to set aside a certain amount of money for your expenses. This amount will be contributed on a pre-tax basis from each of your paychecks to your Dependent Care Spending Account. Remember the amount you select will be set aside before any federal, Social Security, state and local taxes are calculated.

Expense Estimation Worksheet

This worksheet will help you determine your annual expenses for each reimbursement account. Good planning and careful estimating is the best way to take full advantage of your FSA.

Qualifying Medical Expenses:

Medical deductibles	\$
Medical co-payments and coinsurance	\$
Prescription drugs/over-the-counter drugs	\$
Vision exams, glasses, contacts	\$
Dental/Orthodontia	\$
Routine exams, physicals & immunizations	\$
Counseling/Psychotherapy	\$
Expenses for disabled dependents	\$
Other allowable expenses	\$
Total Medical Expenses	\$
Divided by the Number of Pay Periods	Monthly 12 or Bi-weekly 26 pay periods
FSA Medical Expense Deduction Per Pay Period	\$

Qualifying Dependent Care Expenses:

Child daycare expenses	\$
Preschool expenses	\$
Summer day camp expenses	\$
Adult daycare expenses	\$
Other eligible expenses	\$
Total Dependent Care expenses	\$
Divided by the Number of Pay Periods	Monthly 12 or Bi-weekly 26 pay periods
FSA Dependent Care Deduction Per Pay Period	\$

Expense Guide

This is provided as a guide. All submitted expenses are reviewed according to the regulations of Internal Revenue Code Section 125. All claims must be substantiated and appropriate documentation must be provided. **Some expenses may require documentation from your physician.**

Drugs

Eligible

- Both prescription and over-the-counter drugs that treat a medical condition
- Birth control drugs
- Insulin

Ineligible

- Dietary supplements including vitamins, pre-natal vitamins (even if doctor prescribed) and herbs
- Drugs for cosmetic purposes

Vision Care

Eligible

- Optometrist or ophthalmologist fees
- Eyeglasses
- Contact lenses and cleaning solutions
- Prescription sunglasses
- Corrective eye surgery (such as radial keratotomy)

Ineligible

- Lens replacement insurance
- Warranties
- Protection plans
- Coating/tints that do not treat a medical condition

Dental/Orthodontic Care

Eligible

- Dental care
- Artificial teeth/dentures
- Cost of fluoridation of home water supply advised by dentist
- Braces, orthodontic services (only those incurred within the active plan year)

Ineligible

- Teeth bleaching
- Tooth bonding that is not medically necessary

Treatments/Therapies

Eligible

- Weight loss programs prescribed to treat a medical condition
- X-ray treatments
- Smoking cessation programs
- Treatment for alcoholism or drug dependency
- Acupuncture
- Vaccinations
- Physical therapy (as a medical treatment)
- Speech therapy
- Occupational therapy
- Infertility treatment

Ineligible

- Physical treatments unrelated to specific health problem (e.g., massage for general well-being)
- Any illegal treatment

Insurance

Eligible

- Deductibles and co-payments for health care plans (medical, dental, vision)
- Coinsurance (the percentage of charges not paid by your health care plan)
- Amounts over usual and customary limits

Ineligible

- All premiums/contributions for insurance coverage (including health insurance, long-term care, loss of income and loss of life)
- Expenses paid by your health care plan

Fees/Services

Eligible

- Physician's fees
- Routine/preventive physicals
- Obstetrical expenses
- Hospital services
- Nursing services for care of a specific medical ailment
- Cost of a nurse's room and board when nurse services qualify
- The Social Security tax paid with respect to wages of a nurse when nurse's services qualify
- Surgical or diagnostic services
- Legal sterilization
- Cosmetic surgery/procedures that treat deformity caused by an accident or trauma, disease, or an abnormality at birth
- Services of chiropractors and osteopaths
- Anesthesiologist fees
- Dermatologist fees
- Gynecologist fees

Ineligible

- Cosmetic surgery/procedures that improve patient's appearance but do not meaningfully promote the proper function of the body or prevent/treat an illness/disease
- Payments to domestic help, companion, babysitter, chauffeur, etc. who primarily render services of a non-medical nature
- Nursemaids or practical nurses who render general care for healthy infants
- Payments for child care (eligible under the Dependent Care FSA)

Medical Equipment

Eligible

- Wheelchair or autoeette (cost of operating/maintaining)
- Crutches (purchased or rented)
- Oxygen equipment and oxygen used to relieve breathing problems that result from a medical condition
- Artificial limbs
- Support hose (if medically necessary)
- Wigs (where necessary for mental health of individual who loses hair because of disease)

Ineligible

- Wigs, when not medically necessary for mental health
- Vacuum cleaner purchased by an individual with dust allergy

Psychiatric Care

Eligible

- Services of psychotherapists, psychiatrists and psychologists
- Legal fees directly related to commitment of a mentally ill person

Ineligible

- Psychoanalysis undertaken to satisfy curriculum requirements of a student
- Marriage counseling

Assistance for the Disabled

Eligible

- Cost of guide for a blind person
- Cost of note-taker for a deaf child in school
- Cost of Braille books and magazines in excess of cost of regular editions
- Seeing eye dog (cost of buying, training and maintaining)
- Hearing-trained cat or other animal to assist deaf person (cost of buying, training and maintaining)
- Household visual alert system for deaf person
- Excess costs of specifically equipping automobile for a disabled person over the cost of ordinary automobile; device for lifting a disabled person into automobile

Miscellaneous Charges

Eligible

- Sales tax associated with an eligible expense
- Hearing aids, batteries for operation of hearing aids, hearing aid repairs
- Expenses connected with donating an organ
- Cost of computer storage of medical records
- Transportation expenses primarily for, and essential to, medical care including car mileage, bus, taxi, train, plane fares, ambulance services, parking fees and tolls
- Lodging expenses (not provided in a hospital or similar institution) not to exceed \$50 per night per individual while away from home if the lodging is primarily for and essential to medical care provided by a doctor

Ineligible

- Expenses of divorce when doctor or psychiatrist recommends divorce
- Cost of toiletries, cosmetics and sundry items (e.g., soap, toothbrushes)
- Maternity clothes
- Diaper service
- Distilled water purchased to avoid drinking fluoridated city water supply
- Installation of power steering in an automobile
- Pajamas purchased to wear in hospital
- Mobile telephone used for personal phone calls as well as calls to a physician

Over-the-Counter Medicines & Drugs

Items such as allergy medications, smoking cessation medications, aspirin, cold medications, vitamins and nutritional supplements, etc. can be claimed **if they are purchased to treat an existing or imminent medical condition**. None of these items can be claimed if they are purchased for general health purposes or for possible future use. For example, if you purchase a large supply of aspirin to have available in case you need it sometime in the future, it will not qualify. The claims procedures regarding over the counter items are listed below. In addition to these specific guidelines, all other general requirements for claims apply.

Claims Procedures – OTC Drugs & Medicines

In addition to existing documentation and claims requirements, claims for over the counter drugs or medicines must include the following:

- The receipt or documentation from the store must include the name of the drug printed on the receipt. This information must be provided by the store, not just listed by the participant on the receipt or on the claim form.
- The participant must indicate the existing or imminent condition on the receipt, on the claim form or on a separate enclosed statement each time these items are claimed. Purchases for general good health will not be accepted.
- To claim, vitamins, herbs or nutritional supplements, you must have a written diagnosis of the medical condition and “prescription” of all specific items for that condition on file with the Human Resources office. You must renew this physician notice every 12 months and file it with the Human Resources office with the first claim submitted for them each plan year.

Qualifying OTC Medicines & Drugs

(Purchased due to an existing or imminent condition)

- Allergy medicines
- Cold medicines
- Aspirin or pain medicines
- Creams or ointments
- Antibiotics
- Vitamins & nutritional supplements (only if to treat a specific medical condition)

Non-Qualifying OTC Medicines & Drugs

(Purchased for general health purposes)

- Vitamins
- Herbs
- Nutritional supplements
- Cosmetic supplies
- Large supply of qualifying items, not for existing or imminent condition
- Band-Aids or other non-medicines
- General hygiene items (toothpaste, deodorant, etc.)