

ARCHDIOCESE OF ST. LOUIS

FLEXIBLE SAVINGS ACCOUNT / QUESTIONS AND ANSWERS



WHAT IS A FLEXIBLE SPENDING ACCOUNT?

A Flexible Savings Account is a benefit that allows you to have your insurance premiums deducted from your paycheck on a pre-tax basis, and also allows you to use pre-tax deductions from your paycheck to pay for certain kinds of medical care expenses and dependent care expenses. For the medical care expense and dependent care expenses, your employer deducts an amount you request from your paycheck and deposits it in an "account" for you. These deductions are not subject to federal income taxes, state income taxes, or FICA taxes because the deductions are withheld before taxes are figured. These deductions are then used to reimburse you for the medical care expenses and dependent care expenses on a "tax-free" basis.

Pre-Tax Premium Payment Plan

Employees pay a share of their health insurance coverages. Your employer offers you a way to fund your health premiums with pre-tax dollars. With the Pre-Tax Premium Payment Plan, your insurance payments are deducted from your paycheck before any taxes are figured. Your taxable income is reduced and your take-home pay is increased. To gain the tax advantage, you must enroll as a new employee, during the annual open enrollment period, or when there is a qualifying change in your family or employment status.

Medical Care Expense Plan

Money from your Medical Care Expense "account" can be used to reimburse covered expenses that are not paid by your medical and/or dental insurance. This may include co-pays, deductibles, and coinsurance that you must pay.

You may submit qualified expenses for yourself, your spouse or a dependent child for whom you file as a tax deduction on your federal tax return.

You can also use your Medical Care Expense "account" for most expenses that your health and/or dental insurance plan does not cover. This may include such things as dental expenses, certain prescription drug expenses, vision care expenses such as eye exams and eyeglasses, hearing care expenses such as hearing examinations and hearing aids, or the rental or purchase of medical equipment. Please see a list of eligible and ineligible medical expenses on pages six and seven of this Q & A.

The maximum Flexible Benefits Plan year contribution for Medical Care Expenses is \$2,500.

Dependent Care (Day Care) Expense Plan

Money from your Dependent Care Expense “account” can be used to reimburse you for any employment related dependent care expenses. The requirements for using the Dependent Care Expense Plan are outlined below. You can only be reimbursed up to the year-to-date total amount you have contributed into your dependent care account. Amounts you have filed that exceed your year-to-date contributions will be reimbursed to you once you have made additional contributions.

Eligible Dependents

Dependent care expenses are reimbursable for the following:

1. Children under the age of 13 who qualify as dependents on your federal income tax return, and/or
2. A disabled spouse or a disabled dependent age 13 or older that is physically or mentally incapable of self-care. The term “physically or mentally incapable of self-care” means an individual who cannot care for his or her hygienic or nutritional needs, who spends eight or more hours a day in your home, and for whom you pay more than one-half the cost of support.

Eligible Care

To be eligible, care must be employment related. The dependent care must be necessary to allow the adults in the household to work, or in some cases, attend school. Eligible expenses include direct supervision of the eligible dependent(s) and expenses for household services. Most kinds of direct supervision are covered, including:

1. Care provided in your home;
2. Care in a dependent care center. If the facility provides care for over six individuals, the center must comply with applicable local laws and regulations;
3. Care provided in another individual’s home. The individual giving care cannot be your spouse or your child (unless the child is age 19 or older). Also, under no circumstances can the individual be a tax dependent claimed by you; or
4. Dependent care provided in an educational institution. For children too young for kindergarten, nursery schools are assumed to be for dependent care. For school aged children, tuition expense is considered for educational purposes only and is **not** eligible as dependent care expense. If the tuition can be split between education portion and the before and after-school care portion, then the portion of expense for before and after-school care may be eligible for reimbursement.

Eligible Amount

If you are married, both you and your spouse must be working in order for dependent care expenses to be reimbursed. In addition, expenses do not qualify for reimbursement if they exceed your earned income or the earned income of your spouse whichever is the lower income. Earned income includes wages, salaries, tips, and other employee compensation, including net earnings from self-employment.

When using a Dependent Care Expense Plan, you cannot use the same expenses to calculate your Dependent Care credit on your federal income taxes. You may use the tax credit, or the Dependent Care Expense Plan, or in some instances a combination of both. If your gross family income exceeds \$39,000, you are most likely better served by using the flexible benefits account. You should consult a tax professional if you are unsure of what is best for your situation.

The maximum allowable amount that may be set aside in the Dependent Care Expense Account is:

1. If filing as Single, Head of Household - \$5,000 or less if earnings are less.
2. If married and filing a joint Federal Income Tax return - \$5,000 or limited to earnings of the lesser income.
3. If married and filing separate Federal Income Tax returns - \$2,500 maximum per person.

CAN I VIEW MY ACCOUNT BALANCES ON LINE?

Yes. Please access your account information on-line at the following address:

www.myRSC.com

CAN CONTRIBUTIONS BE TRANSFERRED BETWEEN ACCOUNTS?

Contributions you make to your medical care expense account and to your dependent care account must remain in the designated accounts. You cannot use medical care expense account contributions to pay for your dependent care expenses or vice versa.

WHEN MUST EXPENSES BE INCURRED?

Eligible Medical Expenses must be incurred during the 14 1/2 month period that starts at the beginning of the Plan Year and ends on the 15th of the third month after the end of the Plan Year (e.g. your Plan Year is July 1 to June 30, claims must be incurred no later than September 15 of the following year. The period from July 1 to September 15 of the following year is called the "Grace Period").

Eligible Dependent Care expenses must be incurred during the Plan Year.

HOW ARE MY EXPENSES REIMBURSED?

After you have paid the medical or dependent care expense to the provider of the service, you submit evidence of the expense to the plan. Although in some instances you may pay your health care or dependent care provider in advance for their services, spending account dollars can only be reimbursed after the service has been provided. Expenses must be incurred during the Plan Year and Grace Period (July 1 through September 15 each year) for which you are requesting your reimbursement. You will have until December 15th of each plan year to submit any requests for reimbursement of expenses that were incurred during that Plan year and Grace Period. After that date, claims for expenses incurred in the previous year cannot be reimbursed. Any funds remaining from the previous year will be forfeited.

Listed below are the procedures to follow when filing a claim for reimbursement of medical care expenses or dependent care expenses:

1. Complete the Flexible Savings Account Reimbursement claim form. This form is available from your employer, from TRISTAR Benefit Administrators, or the benefits website at <http://www.archstl.org/hrbenefits>.
2. Submit documentation of the expense to the following address:

TRISTAR Benefit Administrators
P.O. Box 65887
West Des Moines, IA 50265
3. Expenses are reimbursed biweekly per the reimbursement calendar posted on the Archdiocese of St. Louis benefits website at <http://www.archstl.org/humanr>. You may elect to have reimbursements deposited directly in your bank account by completing an “Authorization Agreement – Automatic Deposits (ACH Credits)” form, that is also posted on the Archdiocese of St. Louis benefits website.

The following claim documentation is required:

Medical Care Expense Plan - Copies of the bills and/or paid receipts or copies of the Explanation of Benefits statement from your health insurance carrier. This includes your co-pay, deductible, and/or coinsurance payments. All prescription drug claims must include documentation from the pharmacy that clearly identifies the name of the medication in order to receive reimbursement from this plan.

Dependent Care Claim - A receipt that includes the name, address, and signature of the child care provider, as well as the provider’s Social Security Number or Federal Tax ID number. The Flexible Savings Account Reimbursement form will serve as a valid receipt when it contains the preceding information.

CAN I CHANGE MY MIND ABOUT HOW MUCH MONEY I PUT INTO THE PLAN?

Generally, you cannot change your election to participate in the Plan or vary the salary reduction amounts you have selected during the Plan Year. However, the Internal Revenue Service (IRS) permits you to change the amount you put into the plan, if you have experienced one of the following events:

1. Marriage or divorce of the employee;
2. The death of the employee’s spouse or dependent;
3. The birth or adoption of a child of the employee;
4. The termination of employment (or the commencement of employment) of the employee’s spouse;
5. The switching from part-time to full-time employment status or from full-time to part-time status by the employee or the employee’s spouse;
6. The taking of an unpaid leave of absence by the employee or the employee’s spouse, or returning from the leave; or

7. Significant change in the health coverage of the employee or spouse attributable to the spouse's employment. **Proof of change will be required.**

This is not an exhaustive list. Please refer to the Summary Plan Description, as found on the Archdiocese benefits website at www.archstl.org/hrbenefits, click on Archdiocesan Employees Benefits, then inserting the username: **health** and the password: **benefits** (all lower case).

If a change in status occurs, you must inform Archdiocese of St. Louis and complete a new election form for pre-tax premiums and contributions within 30 days of the occurrence.

BECAUSE I WILL PAY LESS FICA TAXES, WHAT HAPPENS TO MY SOCIAL SECURITY BENEFITS WHEN I RETIRE?

You may receive a slightly lower monthly Social Security check if you participate in the Flexible Savings Account. The effect on Social Security benefits will vary based on the number of years that you participate, and how close you are to retirement. Please consult your financial advisor if you have any questions or concerns on how Social Security might be affected.

WHAT HAPPENS TO MY MONEY IN THE PLAN AT THE END OF THE YEAR?

There is a provision in the federal law that states you must use all of the money deposited in your medical care expense and dependent care expense account each year, or you will forfeit any money remaining at the end of the year. For eligible Medical Care expenses, you have 3 months after the end of the plan year and grace period to file claims incurred during the plan year and grace period. For eligible Dependent Care expenses, you have 3 months after the end of the plan year to file claims incurred during the plan year.

The possibility of forfeiture means you should carefully plan before you make your decision regarding the amount you want your employer to deduct from your paycheck. You should consider what kinds of predictable dependent care and health care expenses you expect to have during the year and then deposit the amount you expect to use.

WHAT HAPPENS IF I TAKE A LEAVE WITHOUT PAY?

You may continue participating in the plan if you continue to make contributions while you are on leave. You can also meet with your employer and make arrangements to pre-pay for the time period you plan to be away from work or make an agreement to make retrospective contributions upon your return to work.

WHAT HAPPENS IF MY EMPLOYMENT ENDS?

If you terminate, your salary reductions will terminate. You will not be able to receive reimbursements for Medical Care and/or Dependent Care expenses incurred after your date of termination. However, you may claim reimbursement for any Medical Care or Dependent Care expenses incurred during the period of coverage prior to termination, provided that you file a claim within 30 days following the close of the Plan Year in which the expense arose.

The same provisions apply if you are away from work for disability or on a leave of absence. During disability or leave of absence, deposits to the account(s) continue for as long as you receive a regular paycheck. If you discontinue making deposits to your spending account, you are no longer considered a participant in the plan and are subject to all rules regarding claim filing as described in the preceding paragraph.

WHAT HAPPENS IF I TRANSFER TO A DIFFERENT ARCHDIOCESE EMPLOYER DURING THE PLAN YEAR?

Your plan participation and annual election would remain unchanged. Upon your transfer to another Archdiocese employer, the balance of the annual contribution election not yet deducted from your pay would be withheld evenly over the remaining paydays with your new employer. Verify that your new Archdiocese employer has a copy of the Flexible Savings Account Election Form that you completed with your previous Archdiocesan employer or a copy of your Open Enrollment Confirmation Statement. You may continue to request reimbursements from your medical and/or dependent care spending accounts throughout the Plan Year.

WHAT EXPENSES ARE ELIGIBLE FOR REIMBURSEMENT UNDER THE MEDICAL CARE EXPENSE PLAN?

Generally, any expense that is allowed under IRS Code § 213 is eligible except as shown on the following page. Please refer to your Flexible Savings Account Summary Plan Description for details.

1. Acupuncture.
2. Ambulance.
3. Chiropractic related services.
4. Deductible, coinsurance, and co-payments.
5. Dental fees - exams, fillings, x-rays, dentures, orthodontic fees, etc. For orthodontic services, payment can only be considered for services actually performed during the Plan Year, including the initial placement fee, and monthly adjustment fees, and not the total orthodontia fee
6. Hearing aids and batteries.
7. Learning disability - Tutoring by licensed school or therapist as recommended by a physician.
8. Laser surgery for vision improvement.
9. Medical fees such as x-ray and laboratory services.
10. Over-the-counter drugs. Over-the-counter (OTC) medicines and drugs still must meet the definition of "medical care" in IRC section 213(d)(1) which defines "medical care" to include amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body. For example, antacids, allergy medicine, pain relievers, cold medicine without a physician's prescription would be considered expenditures for "medical care." As of 1/1/2011, under the new healthcare reform legislation, OTC drugs, medicines and healthcare items will be eligible for reimbursement **only if the request is accompanied by a doctor's prescription.**
11. Physical Therapy or Occupational Therapy by a licensed therapist.
12. Physician fees.
13. Psychotherapy and psychoanalysis provided the expenses are for medical care.
14. Special schools to relieve a handicapped condition.
15. Vaccinations and immunizations.
16. Transportation expenses, if the expenses are primarily for and essential to medical care.
17. Vision care - Eye Exams, Eyeglasses, Contact lenses, and contact lens solution.
18. Weight loss programs and/or drugs prescribed to induce weight loss, provided the program is prescribed by a doctor to treat an existing disease (e.g. obesity, heart disease, or diabetes), and is not simply to improve general health.
19. Wheelchairs-includes rental or purchase.

WHAT EXPENSES ARE *NOT* ELIGIBLE FOR REIMBURSEMENT UNDER THE MEDICAL CARE EXPENSE PLAN?

1. Abortion related services, including Mifeprex or other abortion pills
2. Any item that does not constitute “medical care” as defined under Code § 213.
3. Any item that is not reimbursable under Code § 213 due to the rules in Prop. Treas. Reg. § 1.125-2, Q-7(b)(4) or other applicable regulations.
4. Automobile insurance premiums.
5. Bottled water.
6. Contraceptives, including, but not limited to oral contraceptives, contraceptive devices (i.e. diaphragms, IUD’s), contraceptive injectionables (e.g. Depo-Provera), or contraceptive implants (i.e. Norplant).
7. Cosmetic surgery or other similar procedures, unless the surgery or procedure is necessary to ameliorate a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or disfiguring disease. "Cosmetic surgery" means any procedure or drug which is directed at improving the patient's appearance and does not meaningfully promote the proper function of the body or prevent or treat illness or disease.
8. Cosmetics, toiletries, toothpaste, etc.
9. Costs for sending a problem child to a special school for benefits the child may receive from the course of study and disciplinary methods.
10. Custodial care.
11. Diaper service or diapers.
12. Dietary supplements (e.g. vitamins) that are merely beneficial to the general health of the employee or the employee’s spouse or dependents are not eligible for reimbursement.
13. Foods associated with a weight loss program.
14. Funeral and burial expenses.
15. Health club dues or fitness programs.
16. Health insurance premiums.
17. Home or automobile improvements.
18. Household and domestic help (even though recommended by a qualified physician due to an employee or dependent's inability to perform physical housework).
19. In vitro fertilization, gamete intrafallopian transfer (GIFT) procedures, and zygote intrafallopian transfer (ZIFT) procedures, or other artificial fertilization procedures.
20. Long-term care services.
21. Marijuana and other controlled substances that are in violation of federal laws, even if prescribed by a physician.
22. Massage therapy.
23. As of 1/1/2011, under the new healthcare reform legislation, OTC drugs, medicines and healthcare items will be eligible for reimbursement only if the request is accompanied by a doctor’s prescription. This means that by federal law, items such as cough medicine, pain relievers, acid controllers, allergy medicines, eye care solutions, first aid products, diaper rash ointments, to name a few, will no longer be reimbursed unless there is a doctor’s prescription submitted along with the reimbursement claim form.
24. Social activities, such as dance lessons, even if recommended by a qualified physician for general health improvement.
25. Maternity clothes.
26. Salary expense of a nurse to care for a healthy newborn at home.
27. Sterilization, tubal ligation, or vasectomy.
28. Uniforms or special clothing.
29. Methotrexate, (Brand name: Trexall, Folex, Rheumatrix, and Amethopterin) and Misoprostol (Brand name Cytotec)

**.HOW DOES THE FLEXIBLE SAVINGS ACCOUNT AFFECT
YOUR TAKE-HOME PAY?**

See this financial example to see how a participant can
save money by using the Flexible Savings Account:

Without Flexible Savings Account		With Flexible Savings Account	
Monthly Taxable Salary	\$2,100	Monthly Salary	\$2,100
Income Tax (15%)	-315		
State Tax (6%)	-126	Bills Paid Before Taxes:	
Social Security (5.65%)	-119	Medical Expenses	-20
Take-Home Pay	<u>\$1,540</u>	Medical Expenses	-10
		Dependent Care Expenses	-20
Bills Paid After Taxes:		Medical Expenses	-200
Medical Expenses	-20	Monthly Taxable Salary	\$1,850
Dental Expenses	-10	Income Tax (15%)	-277
Vision Care Expenses	-20	State Tax (6%)	-111
Dependent Care Expenses	<u>-200</u>	Social Security (5.65%)	<u>-105</u>
Spendable Income	\$1,290	Spendable Income	\$1,357

This financial illustration shows the potential positive net increase in monthly spendable income of \$67 (annually \$804) for a person with the above income and tax scenario and with the stated medical reimbursement and/or dependent care reimbursement elections.

Your personal net savings are dependent upon your specific income and tax situation, and medical reimbursement and/or dependent care reimbursement elections.

WORKSHEET FOR ESTIMATING YOUR FLEXIBLE SAVINGS ACCOUNT EXPENSES

		Monthly Expenses	Annual Expenses
1. Estimate Your Personal Expenses Expenses that are not paid for by insurance	Estimate Your Medical Care Expenses		
	Health Insurance Deductibles/Coinsurance	\$ _____	\$ _____
	Dental Expenses (Braces, Exams, Dentures)	\$ _____	\$ _____
	Vision Care (Exams, Contacts, Eye Glasses)	\$ _____	\$ _____
	Medical Expenses Not Covered by your Insurance Plan	\$ _____	\$ _____
	TOTAL #1	\$ _____	\$ _____
	Estimate Your Dependent Care Expenses		
	If you are a single parent or if you and your spouse are employed, how much do you pay for childcare?	\$ _____	\$ _____
	Do you have any dependents including parents for whom you provide dependent care? Yes _____ No		
	If yes, how much do you pay for this care?	\$ _____	\$ _____
TOTAL #2	\$ _____	\$ _____	
2. Total Your Personal Estimated Expenses	Health Care Expenses Account		
	TOTAL #1	_____ x 12 =	_____
	Dependent Care Expenses Account		
	TOTAL #2	_____ x 12 =	_____
	TOTAL	_____ x 12 =	_____
3. Calculate Your Per-Paycheck Deduction	Annual Before-Tax Dollars	# of Payroll PAY DATES per year (i.e., 12, 24, 26)	Per Paycheck Deduction
	Health Care Account*	_____ ÷ _____	= _____
	Dependent Care Account**	_____ ÷ _____	= _____
	TOTAL	_____ ÷ _____	= _____

* Health Care Account may not exceed: \$2,500 per Plan Year.

**Dependent Care Account may not exceed: \$5,000 if Single, Head of Household, or Married filing jointly, or \$2,500 if Married filing separately per Plan Year.