



# SECTION 125 Flexible Spending Accounts Program

## PROGRAM OVERVIEW

This is an additional Benefit Program which is offered at no cost to you – your employer covers the administrative cost of this Program.

Flexible Spending Accounts (FSA) is an Internal Revenue Service (IRS) Employee Benefit Program. There are two FSA Accounts an employee can create:

- 1) Medical Expense Account
- 2) Dependent Care Account

Both of these programs allow you to pay for eligible (as defined by the IRS) out-of-pocket health care and dependent care expenses on a pre-tax basis. A Participant's contributions to these accounts are not subject to Social Security, Federal, and in most cases, State taxes.

Some of the most common out-of-pocket expenses paid for using an FSA Program include:



- MEDICAL EXPENSES (co-pays, deductibles, co-insurance, etc.)



- PRESCRIPTION MEDICATION



- VISION EXPENSES (glasses, contact lenses, exams, etc.)



- HEARING EXPENSES (hearing aids, exams, etc.)



- DENTAL EXPENSES



- DEPENDENT DAY CARE COSTS



- OVER-THE-COUNTER EXPENSES (several OTC's will require a doctor's note, please see pages 10-12)

Upon reading this Enrollment Kit and if interested in participating in the program, please complete the Enrollment Form.

#### DISCLAIMER

*This document is intended to be an overview of the Flexible Spending Account programs offered by your employer. This document does not describe all the rules of the FSA programs. The Legal Plan Document and IRS regulations will prevail in the case of any conflicts. Please contact BBP or your employer to view these documents or you can visit the IRS website at [www.irs.gov](http://www.irs.gov).*

- Would you like to save money on your taxes?
- Do you see a doctor on a regular basis?
- Do you take any maintenance prescription drugs?
- Do you wear eyeglasses or contacts?
- Do you have children in day care or after school care?
- Do you or your children have dental needs in the upcoming year?
- Are you planning to have any major medical procedures performed in the next 12 months?

If the answer to any of these questions is yes, then you should sign up for a Flexible Spending Account.

### **Annual Enrollment**

Your Employer offers Flexible Spending Accounts (FSAs) to help you reduce your taxes and increase your spendable income. You authorize per-pay-period deposits to your FSA from your before-tax salary. When you incur eligible dependent care or medical expenses, you request tax-free withdrawals from your account to reimburse yourself. You never pay federal or state (depending on state) income or social security taxes on the money you contribute to your FSA. Since you pay less in taxes, you have more spendable income.

### **Who is eligible to enroll in the Flexible Spending Accounts?**

**FSA Medical Eligibility** - You are eligible to participate if you meet all of the following conditions:

- are an active full-time employee, as defined by employer
- meet the eligibility criteria as found in the summary plan description

### **Other important FSA enrollment facts:**

- The maximum annual contribution is on the enrollment form.
- There is no minimum annual contribution.

***You can participate in a Health Care FSA or Dependent Care FSA even if you***



***are not enrolled in your Employer's health plan or the Premium Conversion option.***

If you are an eligible employee, you must complete an Enrollment Form in order to participate in Flexible Spending Accounts. If you do not complete a form, you will not be enrolled in FSA Plan year.

**Qualified Reservist Distribution** – A Qualified Reservist Distribution (QRD) is a distribution to an employee of all or a portion of the unused balance remaining in the employee's Flexible Spending Account (FSA). To qualify for a QRD, the employee must be a member of a U.S. military reserve unit ordered or called to active duty for a period of 180 days or more. The employee can make a request for distribution during the period beginning with date of the order or call to active duty and ending on the last day of the grace period (if applicable) for the plan year. The amount of the distribution is limited to the amount contributed to the FSA as of the date of the QRD request, minus any FSA reimbursements on or after the date of the QRD request. QRD requests forms can be downloaded from BBP's website at [www.bbpadmin.com](http://www.bbpadmin.com)

**Dependent Care FSA Eligibility** - You are eligible if you are an active, full-time employee.

**New Employees** - You have 30 days after your waiting period in which to enroll to participate. Coverage will begin on the first day of the pay period in which your first deduction occurs.

**When does my period of coverage begin?**

Your period of coverage is a 12 month period. Please review your SPD for this answer.

**Two Easy Steps to Giving Yourself a Raise**

**STEP 1**

**Determine Your Contributions**

In order to participate in FSAs, you must first choose an amount to be deducted from your pay and deposited into your account. When determining how much to contribute, please keep in mind that the Health Care and Dependent Care FSAs are separate accounts and money cannot be transferred between them. In addition, the IRS **“use it or lose” rule** specifies that any amount left over in your Health Care or Dependent Care FSA at the end of the year cannot be rolled over or paid to you in cash. You should be realistic in deciding how much to fund your accounts. Use the expense worksheet in this booklet to compile a complete list of eligible expenses and the amounts you spend. Your BBP representative is available to assist you in budgeting for your annual expenses. The BBP website features other tools to help you see the benefit of your Flexible Spending Account. Log on to [www.bbpadmin.com](http://www.bbpadmin.com) website and use the interactive tax calculator. Health care expenses can add up quickly, so you may be surprised by how much money you can save!

**STEP 2**

**Enroll**

Once you determine your deduction amount, simply complete an enrollment form and submit it as instructed. Remember, elections can only be made during the Flexible Benefits Annual Enrollment period, so make sure to submit your form in time and choose your amount carefully! Covering your expenses while saving money couldn't be easier. In order to participate, you must select an annual amount to contribute to the account. Your entire annual election amount is available to you on the first day of the plan year, even if it exceeds your year-to-date deposits to the account. For example, if you have a \$400 dental visit within a month of the start of the plan year, but have only contributed \$100 to the account to date for the year, you could claim the entire \$400 now, providing it does not exceed your annual election. You then pay back the plan over the course of the year with your payroll deductions.

**Important Dates to Remember**

**Your Annual Enrollment month is now and lasts until the date specified on the enrollment form. Your period of coverage dates are the 12 months from the start of the FSA plan year.**

**Eligible Dependents**

FSAs are designed for both you and your family. You may use your FSA to cover expenses for any eligible dependent, whether or not that dependent is covered by your health insurance. Eligible dependents are your spouse and/or any unmarried dependent children who are younger than 26, or disabled or handicapped children who depend primarily upon you for support.

***Participants must re-enroll  
Each year!***

## HOW DOES THE PROGRAM WORK?

Flexible Spending Accounts allow employees to pay for certain medical and day care expenses on a pre-tax basis. Any medically necessary expense not covered under an employee's medical, dental or vision insurance could be paid for with pre-tax dollars thus avoiding taxes. The below example shows the tax advantage of these plans:

	<u>Employee with FSA</u>	<u>Employee without FSA</u>
Semi-monthly Gross pay:	\$2,000	\$2,000
<u>FSA contribution</u> : (subtract)	<u>\$100</u>	<u>\$0</u>
Taxable Income:	\$1,900	\$2,000
<u>Taxes</u> : (subtract)	<u>\$482</u>	<u>\$507</u>
Net pay:	\$1,418	\$1,493
<u>Medical expenses</u> : (subtract)	<u>\$100</u>	<u>\$100</u>
Money left:	\$1,318	\$1,393
<u>FSA Reimbursement</u> : (add)	<u>\$100</u>	<u>\$0</u>
Money left:	\$1,418	\$1,393
<b>SAVINGS TO EMPLOYEE:</b>	<b>\$25.00 (for this paycheck alone)</b>	
	<b>\$600.00 (for the year - assuming 24 paychecks)</b>	

The FSA Participant benefits by not paying taxes on the health care expenses that are incurred. It creates an immediate 25.37% tax savings for employees in the lowest tax bracket. Further explanation of how the program operates is outlined on the following pages.

## PROGRAM SPECIFICS

Flexible Spending Accounts allow employees to set aside earnings on a pre-tax basis for payment of medical and/or dependent daycare expenses. There are two accounts for these expenses: 1) For Medical, Dental, and Vision expenses; 2) For Dependent Daycare expenses.

**MEDICAL FSA:** The employee would determine prior to the start of the plan year (by act of Congress, this is not flexible) the amount to be withheld from each pay period to cover medical costs that will not be covered by insurance. These funds are deducted from the employee's gross pay on a pre-tax basis and are therefore free from federal, state, and FICA withholdings. The specific expenses which can be reimbursed under this plan include medical insurance deductibles, co-payments, dental expenses, eye exams, glasses, contact lenses among many others (See page 7 for a more extensive list. Upon incurring any such charges, an employee submits a claim reimbursement form and proof of payment to the program administrator (BBP) and then, if the expense is approved, the employee is reimbursed as a non-taxed addition to the employee's net pay.

**DEPENDENT DAY CARE FSA:** Terms of this plan are essentially the same as the Medical FSA. Generally speaking, expenses covered must be for the care of a dependent age 12 or younger and must be incurred so that the parents can work. In addition, the IRS rules require you to report the Tax Identification Number (usually the Social Security number) of anyone you pay to care for your dependents on your tax return. This program is governed by the same rules and regulations that allow for a tax credit on the annual tax return. Remember, there is no tax deduction for dependent care expenses, only a tax credit that varies with your adjusted gross income. Also, only the first \$3,000 spent on one dependent or a maximum of \$6,000 for two or more dependents is eligible for the credit. Even though you can only claim \$5,000 for two or more dependents with the dependent care program, the government will allow you to claim the additional \$1,000 as a tax credit on your income tax return. With the dependent care program, you will receive instant tax credit with each paycheck while on your tax return you must wait until it is filed to receive your tax benefit. Almost everyone will save more money with a FSA plan. You can obtain a copy of IRS Publication 503 by visiting: [www.bbpadmin.com](http://www.bbpadmin.com) or visit the IRS website. To obtain more information on tax credits to help determine the best way for you to pay dependent care expenses, please call BBP for help and request a dependent care worksheet.

## **MEDICAL FSA RULES/LIMITATIONS:**

- 1) **Annual Election:** You must determine your Annual Election (contribution amount withheld) prior to the start of each plan year and no changes are allowed unless there is a qualifying event (ie. death, birth, adoption). Also there are time limits to make this change so do not delay.
- 2) **"Use it or Lose it":** Any dollars that are not claimed by year end are lost and cannot be refunded to you. As a result, you should make your Annual Election based on amounts you fully expect to spend.
- 3) **Insurance Premiums:** Premiums CANNOT be reimbursed through an FSA.
- 4) **Eligible Drugs:** Only FDA Approved Drugs can be submitted. No Drugs purchased from foreign countries and no cosmetic drugs are allowed to be reimbursed (per IRS Law) through your FSA Plan.
- 5) **Coordination with HSAs or HRAs:** Health Savings Account (HSA) and Health Reimbursement Accounts (HRA) are offered by many employers, and if your spouse's employer offers one of these plans, and you participate in their plan, you can still join the Flexible Spending Account (FSA). Please note that you cannot be reimbursed for the same expenses out of an FSA, HRA, or HSA account. The IRS does, however allow you to participate in one or more of these accounts. If you or your spouse have multiple IRS pre-tax accounts, please call BBP so that they can explain how to properly use the accounts and establish a "Limited Purpose Flexible Spending Account". Failure to use the accounts correctly could result in IRS penalties and fines.

A common example of how an HSA and Limited-Purpose FSA can work together: Your child needs braces that cost \$1,500 in the first year. You have set up your limited-purpose FSA for \$1,200 for the year. To pay for the dental expenses, you could utilize your FSA funds first because of the "Use it or Lose it" rule. Once you have accumulated funds, you can use your HSA funds to pay for the qualified dental expense for the last \$300.

A few common qualified medical expenses for a limited-purpose FSA: Eye glasses, Contact lenses, Laser Eye Surgery, Orthodontia

## **DEPENDENT DAY CARE FSA RULES/LIMITATIONS:**

- 1) **Annual Election**: You must determine your Annual Election (contribution amount withheld) prior to the start of each plan year and no changes are allowed unless there is a qualifying event (ie. death, birth, adoption). Also there are time limits to make this change so do not delay.
- 2) **"Use it or Lose it"**: Any dollars that are not claimed by year end are lost and cannot be refunded to you. As a result, you should make your Annual Election based on amounts you fully expect to spend.
- 3) **FSA vs. Tax Credit**: When you use the Dependent Care FSA to pay for dependent or childcare expenses, you cannot claim these same expenses as a tax credit for federal income tax purposes.
- 4) **Maximum Election Limit**: The total amount you can deposit into the Dependent Care FSA cannot exceed \$5,000 (\$2,500 for a married person filing separately) or spouse's earned income.
- 5) **Spouse not at work**: If your spouse does not work, you probably cannot participate in the Dependent Care FSA – Please Call BBP for a specific answer.
- 6) **Earned Income Credit**: If you receive Earned Income Credit you will not be able to participate.
- 7) **Total Compensation**: Due to the IRS discrimination testing, if your total compensation will be greater than \$120,000, or you own stock in the company you work for, your election may be reduced or canceled.
- 8) **Child Residence**: In order to claim a child/adult for the FSA Dependent Care Account, the child/adult must reside with you for at least 51% of the Year.

## **More Benefits for Less Money**

Sound too Good to be True?

Congratulations! Your employer is offering you a Flexible Spending Account (FSA) as part of your benefits package. An FSA allows you to set aside pre-tax dollars to pay for eligible out-of-pocket healthcare and dependent care expenses.



## **Start Saving Today with an FSA!**

With an FSA, you can save 30% or more on eligible healthcare, and/or qualifying child and adult dependent care expenses. Perhaps you've heard your friends or co-workers talking about a similar program they use to pay for things like co-pays and deductibles, dental and vision expenses, many over-the-counter medications (with a doctor's note) and healthcare related products, and before-school and after-school day care expenses.

Save 30% or More on these Eligible Out-of-Pocket Expenses with an FSA









- 164. Taxes on Medical Services & Products
- 165. Telephone for hearing impaired person.
- 166. Television for hearing impaired person.
- 167. Therapy – **to treat**  
**a&MUEBLFDO&RQLMQ**
- 168. Thermometers
- 169. Throat Lozenges -  
**RFWV Note & to treat**  
**&MUEBLFDO&RQLMQ**
- 170. Transplants
- 171. Transportation Expenses for person to receive medical care
- 172. Transportation Expenses other than the person receiving medical care – **CALL BBP**
- 173. Treadmill – **Doctor's Note & to treat a Current Medical Condition.**
- 174. Tuition for Special Needs Programs
- 175. Tuition Evidencing Separate Breakdown for Medical Expenses
- 176. Umbilical cord, freezing and storage – **Temporary Storage – need to treat a Current Medical Condition no more than one year.**
- 177. Usual & Customary Charges Excess
- 178. Vaccines
- 179. Varicose Veins – **Treatment of only qualifies if the procedure promotes proper function of the veins.**
- 180. Vasectomy
- 181. Veterinary Fees – **Special Animals**
- 182. Viagra - **Doctor's Note & to treat current medical condition**
- 183. Vitamins – **Doctor's Note & Current Medical Condition**
- 184. Wart Removal – **Doctor's Note & to treat Current Medical Condition.**
- 185. Weight Loss Programs or Drugs – **Doctor's Note & to treat Current Medical Condition.**
- 186. Wheelchair

- 3. Dental Treatment – X-Rays – fillings – extractions, implants
- 4. Dentures
- 5. Fluoridation Device or Services.
- 6. Orthodontia
- 7. Teeth Whitening – **ONLY TO TREAT A DEFECT OR DISEASE!**
- 8. Toothache & Teeth Pain Relievers - **Doctor's Note & to treat Current Medical Condition.**

**VISION**

- 1. Co-Insurance
- 2. Contact Lenses
- 3. Deductibles
- 4. Eye Examinations
- 5. Eye Glasses – (equipment and materials).
- 6. LASIK – Laser Eye Surgery
- 7. Optometrist
- 8. Radial Keratotomy
- 9. Reading Glasses
- 10. Sunglasses Prescription
- 11. Vision Correction Procedures

**DENTAL**

- 1. Co-Insurance
- 2. Deductibles

# Important changes to the IRS treatment of Over-the-Counter Purchases

The health care reform legislation signed into law by President Obama impacts over-the-counter (OTC) purchases with Health Care Flexible Spending Accounts that began in January 2011.

OTC drugs medicines and biologicals remain eligible with a directive from a health care provider. Similar to vitamins and supplements, a health care provider will need to prescribe these items to make them eligible under a pre-tax program.

BBP will be updating the Eligible products criteria to reflect movement of these items from the "Eligible" to "Dual Purpose" category.

The customer or participant may still be able to receive reimbursement for the item using their Health FSA; however they must obtain a letter of medical necessity from their health care provider in order to be able to submit it as eligible under their plan.

This has significant implications for FSA participants.

Over-the-counter medicines, drugs and biological treatments are about 35 percent of the current BBP list. Effective January 1, 2011, the affected items were deleted from the list of eligible items. It is important to note that not all items on the BBP eligible items list would be affected. Only those items that represent drugs, medicines and biologicals require a health care provider's directive.

The items affected include items in the following categories:

- |                              |                                  |
|------------------------------|----------------------------------|
| o Acid Controllers           | o Digestive Aids                 |
| o Allergy & Sinus            | o Feminine Anti-Fungal/Anti-Itch |
| o Antibiotic Products        | o Hemorrhoid Preps               |
| o Anti-Diarrheals            | o Laxatives                      |
| o Anti-Gas                   | o Motion Sickness                |
| o Anti-Itch & Insect Bite    | o Pain Relief                    |
| o Anti-Parasitic Treatments  | o Respiratory Treatments         |
| o Baby Rash Ointments/Creams | o Sleep Aids & Sedatives         |
| o Cold Sore Remedies         | o Stomach Remedies               |
| o Cough, Cold & Flu          |                                  |

Again, these items are not excluded 100%, but will require a doctor's note in order to be eligible.

## How does this new legislation impact me?

It impacts you two ways:

### 1. Setting Your Contribution

Because OTC drugs and medicines require a prescription effective January 1, 2011, you might want to consider this when deciding on your healthcare FSA contribution.

### 2. Using Your Account Dollars

*Effective January 1, 2011:*

- Over-the-counter (OTC) drugs and medicines will be considered **ineligible** expenses unless you have a prescription from your physician.

## Does this mean all OTC items will be ineligible after January 1, 2011?

No, many OTC items will continue to be considered eligible expenses and will not require a prescription. See "Eligible Healthcare Expenses" within this communication for examples.

Please see next page for a BBP-approved letter of medical necessity for OTC items.

# Letter of Medical Necessity

Please include this letter of medical necessity in order to be reimbursed for Medical claims that have been deemed ineligible by the IRS, such as certain OTC items, vitamins or gym memberships. **This signed letter will only be valid for the current plan year.**

Employee Name \_\_\_\_\_

Employer \_\_\_\_\_

Email or phone number \_\_\_\_\_

*To be completed by your physician*

Describe the diagnosed condition to be treated:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Describe the recommended treatment:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Indicate the duration of the treatment:

\_\_\_\_\_

Please read the following and sign & date:

This treatment is medically necessary to treat the medical condition(s) listed above. The treatment listed is not for general health purposes, not to improve the patient's appearance or for cosmetic services.

Physician Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Printed Physician Name: \_\_\_\_\_ Phone Number: \_\_\_\_\_

Address: \_\_\_\_\_

**BBPadmin**

125 West Orchard Street  
Itasca, Illinois 60143-1764

Phone: 630.773.2337 Fax: 630.775.8568

Email: Questions: [Support@bbpadmin.com](mailto:Support@bbpadmin.com)

Claims: [Claims@bbpadmin.com](mailto:Claims@bbpadmin.com)

# How Your Dependent Care FSA Works

The Dependent Care FSA lets you use tax-free dollars to pay for child and elder day care expenses to enable you and your spouse to work or attend school full-time. You can use your FSA to pay for regular expenses such as day care, babysitting, and even summer day camp.

## Maximum Annual Contributions

- Married, filing separately - \$2,500
- Married, filing jointly - \$5,000
- Married, incapable spouse - \$5,000
- Single, head of household - \$5,000
- Single - \$2,500

These maximum amounts apply to both the calendar year and the Flexible Benefits plan year.

It is important to note that the maximum for the Dependent Care FSA is a "family maximum." If your spouse has a Dependent Care FSA available at his or her employer and chooses to participate, your election amounts are combined. Your combined election amount cannot be higher than the maximum that pertains to you.

Dependent Care FSAs differ from Health Care FSAs in that they are not "pre-funded." This means that you can only be reimbursed for an amount up to the total you have deposited into your account at any given point in the year. BBP also offers a recurring expense service that makes your Dependent Care FSA even more convenient. (See following page).

**Participants in the Dependent Care FSA are required to file an IRS Form 2441 each year.**

## Eligible Dependents

The general rule in qualifying an individual as a dependent is that you provide 50 percent of their care and claim them on your income taxes. If these conditions are met, then the dependent must fall into one of the following three categories:

- A dependent child age 12 or younger whom you claim as a dependent on your income tax return.
- Your dependent who is physically or

mentally incapable of caring for himself or herself and whom you claim as a dependent on your income tax return.

- Your spouse who is physically or mentally unable to care for himself or herself.



***Participants must re-enroll each year!***

***You can participate in a Health Care or Dependent Care FSA even if you are not enrolled in your employer's health plan or Premium Conversion option!***

***You can use your Health Care FSA to pay eligible medical expenses for your federal tax dependents and spouse even if they are not covered by your employer health plan!***

## What Are Eligible Dependent Care Expenses?

Eligible dependent care expenses are generally defined as expenses that allow you (and your spouse, if married) to work, look for work, or attend school as a full-time student.

### The following is a list of eligible expenses:

- Care inside your home
- Care outside your home
- Preschool tuition
- Before-school care
- After-school care
- Nursery school
- Day camp fees
- Day care facility fees

When choosing your care provider, there are IRS guidelines to keep in mind. In-home services can be as informal as care provided by your neighbor, as long as, the provider gives a receipt for the fees charged. Your own child can be used as a provider only if he or she is age 19 or older and not still claimed as a dependent on your tax return. Also, a day care center that cares for more than six children must be licensed.

### Ineligible Dependent Care Expenses

The following fees are not considered eligible and thus cannot be paid for with your Dependent Care FSA:

- Diaper changing fees
- Discounts
- Entertainment
- Fees for lessons
- Field trips
- Household services
- Kindergarten
- Late fees
- Lunches/Food
- Day care while on maternity leave
- Overnight camp expenses
- Transportation for day care

### *Let's Take another Look at a Day-Care Expense If Your Total Tax Is 25.37%*

Item	Amount	Tax Bracket	Savings	True Cost
Day-Care	\$5,000	25.37%	\$1,268.50	\$3,731.50

Limitations: If you receive Earned Income Credit you will not be able to participate. Also, due to the IRS discrimination testing, if your total compensation will be greater than \$120,000, or you own stock in the company you work for, your election may be reduced or canceled.

### Dependent Care FSA Worksheet

Use this work sheet to estimate your eligible dependent care expenses for the next year.

\$\_\_\_\_\_ Expenses per week X 52 (Multiply by 52 weeks) = \$\_\_\_\_\_ Total annual election

## Using Recurring Expense Service

To make your FSA as convenient as possible, the administrative vendor offers a recurring expense service for your Dependent Care FSA. This service pre-certifies your regularly recurring expenses so that you never have to keep a receipt or complete a claim form more than once.

### Enrolling is simple. Follow these steps:

1. Complete your portion of the Recurring Expense Service Form.
2. Have an authorized representative of your provider sign the form. On your payday, your check will be deducted as usual for your FSA

contribution. With the service in place, your deduction will be returned to you via check or direct deposit to your checking or savings account. You then pay your pre-certified expenses out-of-pocket with your tax-free dollars.

## **FSAs are made possible by the Internal Revenue Code (IRC) Section 125, which allows an employer to offer this benefit to its employees.**

**Funds can't be switched.** Money from the medical FSA cannot be used to pay dependent care expenses. Likewise, your dependent care FSA cannot be used for medical care expenses. The IRS requires that the medical FSA and dependent care FSA be completely separate.

**Unused funds will be forfeited.** By planning carefully at the beginning of the plan year, you can avoid having unused funds in your account. Any unused money in your FSA will be forfeited at the end of your plan year unless your employer offers a "carryover period." A carryover period can give you up to 75 days beyond the end of your plan year to incur expenses against your FSA. Your employer may also offer a "run-out period," which gives you extra time to submit claims to your FSA for reimbursement. Check with your employer to find out if either a carryover or run-out period is available to you.

**Mid-year changes are restricted.** Generally, you cannot change the amount of money you elected to contribute to your FSA until the next enrollment period. However, you may be allowed to make changes during the year in certain situations, which the IRS calls "qualifying events." The change you want to make must be on account of, and consistent with, the event. These events include, but are not limited to:

- Marriage, divorce, legal separation or an annulment
- Death of your spouse or dependent
- Birth or adoption of a child (please note that miscarriage is not considered a qualified election change by the IRS)
- You or your spouse switch from part-time to full-time employment or from full-time to part-time employment
- You or your spouse take an unpaid leave of absence
- Significant cost increase or significant curtailment in coverage (for dependent care FSAs only)
- Changes in health coverage occurring because of your spouse's employment
- You or your spouse's termination, commencement or return from unpaid leave of absence

## **How will termination of employment affect my eligibility?**

According to federal and state law in the case of group health benefits, if you participated in a Health Care FSA during the plan year, you can choose to continue your Health Care FSA coverage under COBRA if you experience a triggering event under COBRA laws. At the end of the plan year in which the COBRA-qualifying event occurred, however, your Health Care FSA coverage will be canceled. Some employers are not subject to COBRA or some employers FSA plans continue regardless of employment status.

### **Appeal Process**

If you have an FSA reimbursement claim, a request for a mid-plan year election change, or other similar request denied, in full or in part, you have the right to appeal the decision by sending a written request to BBP, for review within **60 days** of your receipt of denial. Within **60 days** upon receipt, your Appeals Panel will review your appeal and notify you of the results.

#### **Your appeal must contain the following:**

- Why you think your request should not have been denied
  - The date of the services for which your request was denied
  - A copy of the denied request
  - The denial letter you received
  - Any additional documents, information or comments you think may have a bearing on your appeal
- NOTE: Appeals are approved only if the extenuating circumstances and supporting documentation meet IRS regulations.**

## How to File a Claim

To receive reimbursement for eligible expenses, mail, fax, e-mail (not all) a completed claim form along with IRS-required documentation. To expedite your request, fax your claim form and supporting documentation. The preferred form of documentation is a health plan Explanation of Benefits (EOB). However, a detailed receipt or statement of expense may also be accepted if it includes the following information:

- Date of service
- Name of person receiving service
- Name of provider of service
- Type of service/supply provided
- Amount charged for each service/supply or the amount not reimbursed by insurance

*Note: Credit card receipts and/or cancelled checks do not qualify as third-party documentation and are not accepted by the IRS.*

Be sure to provide all information requested on the form. If the form is incomplete or unsigned, your claim request will be returned to you for completion.

## Fax & E-mail tips

- Complete the claim form using a dark pen (do not use a pencil)
- If your documentation is printed on dark paper, copy it onto lighter paper
- Do not mail or email claim after faxing
- Do not use highlighter to call out information. Instead, place an asterisk (\*) next to that item or information.
- Confirm successful transmission

## Mailing tips

- Do not staple
- Neatly tape any small receipts onto an 8.5" x 11" sheet of paper

## Important information about medical claims

- You may only be reimbursed for expenses incurred during the plan year or carryover period, if available, while you are an active participant in the plan.
- You incur an expense when you receive the service, not when you pay for the service.

- With the medical FSA, your claim may be reimbursed up to your available account balance. Your account balance is calculated by reducing your annual election amount by the reimbursements already made to you.

## Important information about dependent care claims

- The dependent care FSA does not reimburse any part of a dependent care claim that exceeds the current balance in your account. If your claim is for more than your balance, the unpaid portion of the claim will be "pending" and will be automatically paid as payroll deductions are posted to your account.
- You may be reimbursed for only those expenses incurred during the plan year or carryover period, if available, while you are an active participant in the plan.
- You incur an expense when you receive the service, not when you pay for the service.

## Complaint/appeal information

The Explanation of Payment you receive by mail or e-mail will explain how your claim was processed based upon the information submitted to us. You or your designated representative may appeal a denial, partial denial, or reduction of your claim by following our complaint procedures. First, contact customer service for an explanation. If you are not satisfied with the explanation given, we will send you a form to file your complaint. You may also submit any documents, records or other information that relates to your claim for benefits. Upon receipt of your request, we will provide a full and fair review of your complaint and a written notice of our decision according to the timeframe found in your plan documentation. If you are a member of a group plan that is subject to the Employee Retirement Income Security Act (ERISA), once you have exhausted our complaint/appeal process, you have the right to file suit in Federal Court under Section 502(a) of ERISA.

# **FREQUENTLY ASKED QUESTIONS**

## **What if I'm not enrolled in my company's health plan?**

You do not need an existing health plan to participate in either of the Flexible Spending Accounts.

## **Why should I participate in an FSA if I have health care coverage?**

With any health care program, you will still incur a number of expenses that are not covered by the plan, such as doctor co-pays and certain procedures. Furthermore, most over-the-counter items such as pain relievers, allergy, and sinus medications are not covered. Your FSA does cover these expenses, but you must have a doctor's note. Because these out of pocket costs are paid with tax-free dollars using the Health Care FSA, you could save up to 30 percent on those expenses.

## **When can I enroll in an FSA?**

Elections for your FSA must be made in advance. This may be done during the annual enrollment period, or special enrollment periods for new hires and other employees who first become eligible during the coverage period, and upon the occurrence of a qualified status change.

## **When can I make changes?**

Once you enroll, your election will remain in effect for the entire plan year unless you have a qualified status change, such as a marriage, divorce, or the birth or adoption of a child.

## **What happens if I have money left in my account at the end of the plan year?**

Due to IRS regulations, any money left in your Health and Dependent Care FSAs after all claims have been processed for that plan year must be forfeited. **Please remember the IRS "use or lose" rule.** You cannot carry your money into the next plan year or be paid in cash. However, the **Grace Period or Rollover feature** modifies the IRS "use or lose" rule (Please check with BBP or your SPD to see if your employer offers either the grace period or rollover). The **Run-Out Period** is the period of time after the end of the year during which participants can submit eligible expenses incurred during the preceding plan year and the Grace Period, if applicable, for reimbursement.

## **When is an expense "incurred?"**

Expenses eligible for the plan are those you incur during the plan year. An expense is incurred on the date you receive the service or treatment, not the date you are billed or when payment is made.

## **How do I track how much money I've spent?**

You may check your account activity 24 hours a day, seven days a week by logging on at <https://www.mywealthcareonline.com/bbp/>. If you do not have online access, you can call the BBP customer service line any time and request a statement. Account statements are also sent out twice a year, as well as monthly via e-mail.

## **Who can I call for help, questions, and concerns?**

If you have any questions, concerns, or suggestions about how BBP can serve you better, call BBP at 1-(630) 773-2337. Business hours are 8:30 a.m. - 5:00p.m. CST.

## **COBRA FAQ**

### **What is the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA)?**

According to federal and state law, if you are a covered employee who has lost group health plan coverage due to a triggering event, you and your covered dependents are entitled to continue your Health Care FSA coverage in effect at the time of the event.

### **Is my employer a COBRA employer or is my FSA plan subject to COBRA?**

1. Please call BBP at (630) 773-2337 to see if your employer is a COBRA eligible employer. In addition, if your employer is a COBRA eligible employer you will receive a COBRA election form if you experience a qualifying event.
2. Some employers run a continue-only plan. These plans mandate that you stay in the FSA plan for the entire plan year. If your plan is a continue-only plan it will state this on the enrollment form or you can call BBP at (630) 773-2337.

### **What are COBRA qualifying events?**

As a general rule there is a COBRA "qualifying event" if:

- A covered employee's termination of employment occurs other than due to gross misconduct. This includes retirement.
- There is a reduction in a covered employee's hours of employment.
- A covered employee dies.
- A covered employee becomes entitled to Medicare.
- A covered employee experiences a divorce or legal separation.
- A child ceases to qualify as a dependent under the terms of the plan.

## How does HIPAA affect COBRA?

HIPAA gives a person already on COBRA specific enrollment provisions to add dependents only if such a person:

- Acquires a new dependent; or
- An eligible dependent declines coverage because of an alternative coverage; and
- Later loses such coverage due to certain qualifying reasons.

A spouse or dependents who are added under this paragraph do not become Qualified Beneficiaries and their coverage will end at the same time coverage ends for the person who elected COBRA and later added them.

## How long is the COBRA coverage period?

A qualified beneficiary's maximum coverage period extends for the rest of the plan year.

# Beyond Your Benefits

Legal Notices

## Social Security

Social Security consists of two tax components: the FICA or OASDI component (the tax for old-age, survivors', and disability insurance) and the Medicare component. A separate maximum wage to which the tax is assessed applies to both tax components. There is no maximum taxable annual wage for Medicare. If your annual salary after salary reduction is below the maximum wage cap for FICA, you are reducing the amount of taxes you pay and your Social Security benefits may be reduced at retirement time. However, the tax savings realized through the Flexible Benefits Plan generally outweigh the Social Security reduction.

## Election Changes During the Plan Year

You can change your Flexible Spending Account (FSA) election(s), or vary the salary reduction amounts you have selected during the plan year, only under *limited* circumstances as provided by your employer's plan(s) and established IRS guidelines. For more information, refer to your employer's *Flexible Benefits Plan Summary Plan Description*.

## BBP Privacy Notice

This notice applies to products administered by Better Business Planning, Inc. and its wholly-owned subsidiaries (collectively "BBP"). BBP takes your privacy very seriously. As a provider of products and services that involve compiling personal—and sometimes, sensitive—information, protecting the confidentiality of that information has been, and will continue to be, a top priority for BBP. This notice explains how BBP handles and protects the personal information we collect. Please note that the information we collect and the extent to which we use it will vary depending on the product or service involved. In many cases, we may not collect all of the types of information collected noted below. BBP's privacy policy is as follows:

I. We collect only the consumer information necessary to consistently deliver responsive services. BBP collects information that helps serve your needs, provide high standards of customer service, and fulfill legal and regulatory requirements. The sources and types of information collected generally varies depending on the products or services you request and may include:

- Information provided on enrollment and related forms — for example, name, age, address, Social Security number, e-mail address, annual income, health history, marital status, and spousal and beneficiary information.
- Responses from you and others such as information relating to your employment and insurance coverage.
- Information about your relationships with us, such as products and services purchased, transaction history, claims history, and premiums.

## What if I have a question about my reimbursement or my account in general?

Questions regarding your flexible spending account can be directed to BBP at (630) 773-2337 and [Support@bbpadmin.com](mailto:Support@bbpadmin.com).

Visit [www.mywealthcareonline.com/bbp](http://www.mywealthcareonline.com/bbp) and click 'Register'. You will need to get your employee ID and employer ID from BBP or your HR Department.

- Information from hospitals, doctors, laboratories and other companies about your health condition, used to process claims and prevent fraud.

II. Under HIPAA, you have certain rights with respect to your protected health information. You have rights to see and copy the information, receive an accounting of certain disclosures of the information and, under certain circumstances, amend the information. You also have the right to file a complaint with the Plan in care of BBP's Privacy Officer or with the U.S. Department of Health and Human Services if you believe your rights under HIPAA have been violated.

III. We maintain safeguards to ensure information security. We are committed to preventing unauthorized access to personal information. We maintain physical, electronic, and procedural safeguards for protecting personal information. We restrict access to personal information to those employees, insurance companies, and service providers who need to know that information to provide products or services to you. Any employee who violates our Privacy Policy is subject to disciplinary action.

IV. We limit how, and with whom, we share customer information. We do not sell lists of our customers, and under no circumstances do we share personal health information for marketing purposes. With the following exceptions, we will not disclose your personal information without your written authorization. We may share personal information with insurance companies with whom you are applying for coverage, or to whom you are submitting a claim. We also may disclose personal information as permitted or required by law or regulation. For example, we may disclose information to comply with an inquiry by a government agency or regulator, in response to a subpoena, or to prevent fraud. We will provide our Privacy Notice to current customers annually and whenever it changes. If you no longer have a customer relationship with us, we will still treat your information under our Privacy Policy, but we will no longer send notices to you. In this notice of our Privacy Policy, the words "you" and "customer" are used to mean any individual who obtains or has obtained an insurance, financial product or service from BBP that is to be used primarily for personal or family purposes.

## Notice of Administrator's Capacity

PLEASE READ: this notice advises flexible spending account participants of the identity and relationship between your employer and BBP. BBP has been authorized by your employer to provide administrative services for the flexible spending account plans offered herein. BBP will process claims for reimbursement promptly. In the event there are delays in claims processing, you will have no greater rights in interest or other remedies against BBP that would otherwise be afforded to you by law.



**BBP Admin**  
BENEFITS ADMINISTRATION

COBRA, FMLA, FSA, HRA, HSA, TRANSIT

info@bbpadmin.com  
www.bbpadmin.com  
630 773 2337