



FLEXIBLE SPENDING ACCOUNTS (FSA) **GENERAL QUESTIONS**

1. WHAT IS A FSA?

A FSA is an IRS tax-favored program offered by employers that allow their employees to pay for eligible out-of-pocket healthcare and dependent care expenses with pre-tax dollars.

HERE IS HOW A FSA WORKS: Money is set aside from your paycheck before taxes are taken out. You can use your pre-tax FSA dollars to pay for eligible healthcare expenses throughout the plan year. You can save money on expenses you are already paying for like doctors' office visits, prescription drugs, etc. This plan lets you use pre-tax dollars to pay for eligible healthcare expenses for you, your spouse, and your eligible dependents.

2. WHAT TYPES OF FSA'S ARE BEING OFFERED BY SHELBY COUNTY?

Shelby County will offer a Healthcare spending account and a Dependent care spending account. CONEXIS is the FSA administrator for the County.

The Healthcare spending account can be used to pay for qualified medical expenses that are not covered by your County health insurance. Your entire elected annual contribution is available on the first day of the plan year, January 1.

The Dependent care FSA is used to pay for eligible dependent care expenses such as childcare for children under age 13 or children who are physically or mentally incapable of self-care and, in some cases, elder care so that you and your spouse can work, look for work, or attend school full-time. After you have incurred an eligible expense, you may be reimbursed up to your contribution balance at the time of the reimbursement request.

3. WHEN DO I ENROLL FOR FSA?

You must enroll for your FSA each year during open enrollment. Changes to your FSA election amount can only be made during open enrollment or if you have a qualifying life event. Enrollment forms are available on the County's intranet or shelbycountyttn.gov web sites.

4. WHAT AMOUNT CAN I CONTRIBUTE TO MY HEALTH CARE FSA?

The minimum amount you can contribute to your Healthcare FSA is \$25.00 per pay period; the maximum contribution amount for the Healthcare FSA is \$104.00 per pay period. The amount you contribute depends on your individual situation.

(OVER)

5. WHAT AMOUNT CAN I CONTRIBUTE TO MY DEPENDENT CARE FSA?

The minimum amount you can contribute to your Dependent Care FSA is \$50.00 per pay period; the maximum contribution for Dependent care FSA is \$208.00 per pay period. The amount you contribute depends on your individual situation.

6. WHAT EXPENSES ARE COVERED UNDER A HEALTH FSA?

Only eligible expenses can be reimbursed under the FSA. These are expenses that you pay for out of your pocket for medical care that is provided to you, your spouse, and eligible dependents. Here are some examples:

- your health plan **deductible** (the amount you pay before your plan starts paying a share of your costs)
- your share of the cost for **doctor's office visits and prescription drugs**
- your share of the cost for eligible **dental care**
- your share of the cost for eligible **vision care**, including exams, eyeglasses, contact lenses, and laser eye surgery

EXAMPLE: Your health plan has a \$200 deductible annually on January 1. You are scheduled for outpatient surgery on January 5. During open enrollment, you decided to put \$600 into a health FSA (\$25 per pay period). Even though the full \$600 is not in your FSA account, you can pay the \$200 deductible from your FSA account. The \$200 is your out-of-pocket cost and is therefore, an eligible FSA expense.

7. ARE OVER-THE-COUNTER (OTC) MEDICINES ELIGIBLE EXPENSES?

Yes, but they require a prescription from a licensed health care professional to be an eligible FSA expense. IRS rules changed on January 1, 2011 because of health care reform legislation. Some OTC medicines and drugs now requiring a prescription are allergy and sinus, antacids, aspirin and pain relievers, colds and flu, diaper rash ointments, etc. OTC items that are still eligible expenses include bandages, batteries for hearing aids, diabetic supplies (insulin), thermometers, etc.

8. WHAT IS THE "USE IT OR LOSE IT" RULE?

The Treasury Department and the Internal Revenue Service (IRS) has modified the "use-it-or-lose-it" rule. Instead of risk losing the funds left in your health FSA at the end of the 2013 plan year and going forward, you may now carry over up to \$500 of your remaining health FSA funds into the next plan year.

(OVER)

Shelby County Government has amended its FSA plan to include the carryover provision which applies to 2013 and future plan years. This means you do not have to rush to spend all of your health FSA funds or worry about losing money when the plan year ends. This change gives you even more control over your health care dollars from year to year.

The \$500 carryover of unused funds does not count toward the maximum amount of salary reduction contributions that the employee may elect. In addition, IRS did not change the maximum amount of employee salary reduction contributions, which continues to be \$2500 per plan year.

The modification to the use-it-or-lose rule **does not** apply to the Dependent Care FSA and funds remaining in this account are forfeited after the plan year.

9. IF I HAVE OUT-OF-POCKET EXPENSES REIMBURSED FROM A HEALTH CARE FSA, CAN I USE THOSE EXPENSES TO TAKE AN ITEMIZED DEDUCTION ON MY TAX RETURN?

No. You can have a Healthcare FSA and take an itemized deduction for medical expenses, but you cannot claim an itemized deduction on your federal income tax return and receive a reimbursement from your health care FSA for the same medical expense. Please consult your tax advisor.

10. WOULD I SAVE MORE BY TAKING A CREDIT ON MY INCOME TAX INSTEAD OF CONTRIBUTING TO A DEPENDENT CARE FSA?

You can use both a dependent care FSA and claim the Child and Dependent Care Credit (CDCC) – you just can't claim the same expenses for both. If you plan to use both, the IRS requires that you subtract the amount you have directed into a spending account from the expenses you use to calculate the CDCC. Please consult your tax advisor.

11. DOES CONEXIS OFFER A DEBIT CARD FOR FSA MEDICAL EXPENSES?

CONEXIS will issue a CONEXIS Elite Benefit Card to participants who enroll in the Medical FSA, only. You will not have to pay out of pocket and wait for reimbursement of eligible medical expenses. The debit card may be used to pay for eligible FSA medical expenses at the point of sale. The card **cannot** be used for Dependent FSA expenses. Visit CONEXIS or County's website for more information. Current FSA participants should keep their debit card at year end. CONEXIS will automatically reload the card with your new annual contribution, but you must re-enroll. New FSA participants will receive a debit card through the mail.

12. WHAT DOCUMENTATION OF EXPENSES DO I NEED TO KEEP?

The IRS requires FSA participants to maintain complete documentation, including keeping copies of statements, invoices or bills for reimbursed expenses for a minimum of one (1) year.

13. HOW DO I ACCESS CONEXIS' WEBSITE?

On the web, you can view your account balance and contributions. You may also view monthly statements, transaction history, claim status and download forms at www.CONEXIS.com. Once enrolled, you can contact CONEXIS by calling the customer service number located on the back of your debit card.

14. HOW DO I FILE A CLAIM FOR REIMBURSEMENT?

If you do not use the debit card, claim forms may be found online at Shelby County's intranet or www.shelbycountyttn.gov websites or www.CONEXIS.com. Claims may be mailed to: CONEXIS Flexible Benefits Services, P.O. Box 227197, Dallas, TX 75222 or faxed to 1-888-866-3312 (toll free). Once enrolled, you can contact CONEXIS by the calling customer service number (1-866-279-8385) located on the back of your debit card.

15. WHAT IS THE DEADLINE TO USE YOUR FSA FUNDS?

You can spend the money until the last day of the plan year (December 31). You have until March 31 to submit claims for eligible expenses incurred during the plan year.

***Start saving money by enrolling in a healthcare or dependent care FSA
during open enrollment.
A Great Tax Benefit!!***