



# FLEX SPENDING ACCOUNTS



## 2011 PLAN OVERVIEW

## ACTIVE EMPLOYEES

### **Important change in Over-The-Counter Medicines effective January 1, 2011**

Beginning January 1, 2011, flexible benefit plan participants will no longer be able to purchase over-the-counter (OTC) drugs and medicines with the flex debit card. The change is part of the Health Care Reform laws that were signed this year. Medicines such as cough syrup, pain relievers, acid controllers and diaper rash ointment will now require a doctor's prescription to be an eligible expense. Insulin and other OTC items, such as band-aids, contact lens solutions and reading glasses will continue to be eligible without a prescription.

In order to pay for OTC medicines through the flex plan you will need to obtain a doctor's prescription for the item and submit that to Total Benefit Services along with a reimbursement request form and a copy of a receipt. You will then be issued a reimbursement check.

### **What can a Flexible Benefit Plan do for me?**

Are you interested in saving money by lowering your taxes? You can by participating in the County of Fresno Flexible Benefit Plan. Enroll in the plan now to decrease your taxable income, thereby increasing your net earnings and spendable income.

Enrolling in the Flexible Benefit Plan allows you to pay for employee portions of health insurance premiums and qualified medical and dependent care expenses (*such as child care*) with "pre-tax" dollars. You do not pay Federal, State or Social Security taxes on the money you set aside through the Flexible Benefit Plan. How does this work? Each pay period a dollar amount that you specify is deducted from your paycheck pre-tax and set aside for you in a Flexible Spending Account. You may then use the money from this account to pay for eligible expenses.

### **What are eligible expenses under a Flexible Benefit Plan?**

- Employee share of County-sponsored health insurance, eligible disability insurance and group term life insurance.
- Allowable medical related expenses for you and your qualifying dependents (*see sample list on page 4*).
- Dependent care expenses which are needed to enable you to work (*overnight camps are not allowable*). If you are married, you are eligible for dependent care expenses only if your spouse is employed, a student or disabled.

### **How does this make a difference in my taxes?**

The following is an **example** showing how a single employee with two dependents can increase his or her spendable income through a Flexible Benefit Plan:

	WITHOUT FLEX PLAN	WITH FLEX PLAN
Gross Monthly Pay	\$2,500.00	\$2,500.00
Premium		\$120.00
Medical Expenses		\$60.00
Dependent Care Expenses		\$200.00
<b>TAXABLE INCOME</b>	<b>\$2,500.00</b>	<b>\$2,120.00</b>
Federal Income Tax	\$144.00	\$90.00
State Income Tax	\$8.23	0.00
Social Security/Medicare	\$191.25	\$162.18
Less Premium	\$120.00	
Less Medical Expenses	\$60.00	
Less Dependent Care Expenses	\$200.00	
<b>SPENDABLE INCOME</b>	<b>\$1,776.52</b>	<b>\$1,867.82</b>

**MONTHLY SAVINGS OF \$91.30**

***This particular example demonstrates a monthly savings of \$91.30 which equals a yearly savings of \$1,095.60! This example is based on Federal and California State tax rates for 2010.***

## OVER-THE-COUNTER MEDICINES

### **Changes to rules for over-the-counter medicines in Flexible Benefit Plans**

Dear Flexible Benefit Plan Participant:

Beginning January 1, 2011, flexible benefit plan participants will not be able to use the debit card to purchase over-the-counter (OTC) drugs and medicines. This change is part of the Health Care Reform laws that were signed this year. Because of the new laws such items as cough medicines, pain relievers, acid controllers and diaper rash ointment will now require a doctor's prescription to be an eligible expense. Insulin and other OTC items, such as band-aids, will continue to be eligible without a prescription. Please see a partial list of items below.

In order to pay for OTC drugs and medicines through the flex plan you will need to obtain a doctor's prescription for the item and submit that to Total Benefit Services along with a reimbursement request form and a copy of the receipt. You will then be issued a reimbursement check.

Your plan has the grace period which allows you to incur eligible expenses through March 15, 2011, for the 2010 flex plan year. If you have set aside money for the current plan year anticipating that you would be purchasing OTC drugs and medicines, and you do not want to have to obtain prescriptions for those items, it would be advisable that you purchase them by December 31, 2010. You will still have until May 15, 2011 to submit the reimbursement request but the purchase must be made before December 31, 2010, to avoid having to provide a prescription.

Experts are still working on a comprehensive list of items that **will need a doctor's prescription** but here is a partial list:

Acid Controllers	Baby Rash Ointments/Creams	Laxatives
Allergy & Sinus	Cold Sore Remedies	Motion Sickness
Antibiotic Products	Cough, Cold & Flu	Pain Relief
Anti-diarrheals	Digestive Aids	Respiratory Treatments
Anti-gas	Feminine Anti-Fungal	Sleep Aids & Sedatives
Anti-itch & Insect Bite	Hemorrhoidal Preps	Stomach Remedies
Anti-parasitic Treatments		

Examples of some of the OTC items that **will not require a doctor's prescription**:

Band Aids	Elastic Bandages & Wraps
Birth Control	First Aid Supplies
Braces & Supports	Insulin & Diabetic Supplies
Catheters	Ostomy Products
Contact Lens Supplies & Solutions	Reading Glasses
Denture Adhesives	Wheelchairs, Walkers, Canes
Diagnostic Tests & Monitors	

### **TOTAL BENEFIT SERVICES**

**If you have any questions please contact Total Benefit Services at (559) 431-7062 or (800) 446-4201.**

## ALLOWABLE MEDICAL RELATED EXPENSES

The following list is an example of **qualifying** medical related expenses that can be reimbursed through a flexible benefit plan:

Acupuncture	Laboratory Fees
Ambulance	Lasik Eye Surgery
Artificial Limb	Learning Disability Treatment <sup>1</sup>
Birth Control Pills	Massage Therapy <sup>1</sup>
Body Scans	Obstetrical Services
Braille Books & Magazines	Optometrist
Braces	Orthodontia
Chiropractor	Over-the-counter Medicines <sup>2</sup>
Christian Science Practitioner	Physicals
Contact Lenses	Prescriptions
Co-pays	Psychiatric Care <sup>1</sup>
Crutches	Sterilization
Deductibles	Surgery – Not Cosmetic
Dental Checkups	Teeth Cleaning
Dentures	Transportation to Medical Care
Eye Examinations	Vasectomy
Eyeglasses	Weight Loss Program <sup>3</sup>
Fertility Treatments	Wheelchair
Hearing Aids	X-rays
Insulin	

**This list is not all inclusive of qualifying medical expenses allowable under a Flexible Benefit Plan.**

If you are uncertain if a medical expense is allowable, you may contact Total Benefit Services at (559) 431-7062 or visit their website at [www.totalbenefit.net](http://www.totalbenefit.net). An administrator will be glad to assist you.

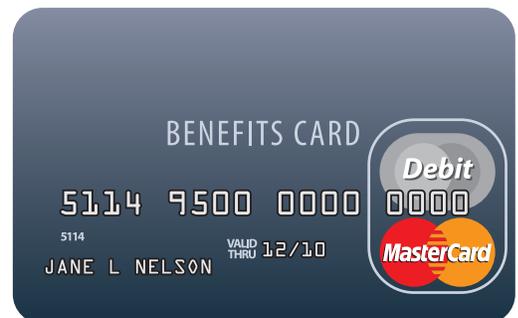
*1 These items require a doctor's prescription and diagnosis for treatment of a medical condition.*

*2 See new regulations for OTC medicines effective 1/1/2011.*

*3 Medical expenses that improve the appearance of the body but do not "meaningfully promote proper function of the body or prevent or treat illness or disease" are not allowable expenses.*

## THE DEBIT CARD

Everyone who participates in the Flexible Benefit Plan for medical expenses and/or child care expenses is eligible to sign up for a debit card by completing the Debit Card Agreement section of the flex enrollment form. You may also request a card for your qualifying dependent. If you sign up for the debit card, you will receive it in the mail. The debit card works like a credit card. At the point of sale, you must select "credit" when using your card as you will not be issued a PIN. It will be loaded with your annual election for medical expenses and deposits will be made each pay day to the dependent care account.



Always **save your receipts**. The IRS requires some claims to be substantiated. You may receive a letter or E-mail from Total Benefit Services asking for receipts or other additional information for verification purposes related to purchases made with the debit card. If you do not respond to the request in the allotted period of time, it is possible that your debit card could be disabled.

If an improper payment is found to have been made with the debit card, you will be asked to present a receipt for an allowable expense to offset the payment you received or repay the plan for the expense. If the card is found to be consistently misused, the card will be deactivated.

Online access to your account information is available to you at [www.BenefitsPaymentSystem.com](http://www.BenefitsPaymentSystem.com).

Debit cards are valid for up to three years. Do not throw away the card when you have reached a zero balance or at the end of a plan year. The same card will be “re-loaded” for the next plan year should you re-enroll in the Flexible Spending Plan.

Your card will be automatically cancelled if you resign or terminate your employment. Your debit card should be returned to your employer. You will still be able to submit reimbursement request for funds remaining in your account if you have expenses that were incurred before your termination date, or if you participate in COBRA for flexible benefit plans.



### **Can I still be reimbursed for expenses?**

If the merchant or your service provider does not accept the debit card, or you simply do not want to use it, you can still submit claims and receive a reimbursement check in the mail or via direct deposit to your bank.

- In order to receive reimbursement for Dependent Care and Medical Related Expenses, you must complete a reimbursement request form, attach a copy of a receipt, and send or fax it to the following address:

**Total Benefit Services, Inc.**  
**P.O. Box 25070**  
**Fresno, CA 93729-5070**  
**FAX: (866) 405-3879**

- The receipt should show the date the service or expense was incurred, the type of service and the amount you paid.
- The date that the expense was incurred (*the date of the visit to the doctor's office, the date the child was in day care*) is relevant and **not the date of the invoice or the date of your payment**. IRS regulations state that the expenses must be incurred during the period of coverage, including any “grace period”, to qualify for reimbursement.
- If there is not enough money in your Dependent Care account to pay the full amount of the claim, you will be reimbursed the amount that is in your account and the balance of the claim will be reimbursed when more money is added to your account on the next pay day.
- For eligible Medical Related Expenses, current regulations allow payment up to your total commitment for the plan year.
- Reimbursement requests are processed on Tuesday and Friday.
- Dependent Care checks for less than \$20 cannot be processed unless it is at the end of the plan year to clear a balance.
- You will be mailed quarterly statements so that you are aware of your account balance.

If you have any questions or problems with your Flexible Benefit Plan, please call Total Benefit Services at (559) 431-7062 or (800) 446-4201.

## DEPENDENT CARE ACCOUNT VS. DEPENDENT CARE TAX CREDIT

A comparison should be made between participating in the Dependent Care part of the Flexible Benefit Plan and taking the dependent care tax credit on your income tax return. A source of information is available at [www.ebia.com](http://www.ebia.com) where you may use a free online calculator to help you determine the option that is best for you.

The following information is provided to assist you with making your decision. However, it is recommended that you consult your tax advisor for more information on your specific situation.

**DEPENDENT CARE TAX CREDIT CALCULATION OF SAVINGS:**

1. Enter the lesser of (a) \$3,000 for one dependent (b) \$6,000 for two or more or your actual annual expense: \$ \_\_\_\_\_
2. Enter the percentage based on your Adjusted gross Income (AGI) (see chart below) x \_\_\_\_\_%
3. Multiple line 1 by Line 2. This amount is your estimated tax credit on your personal income tax \$ \_\_\_\_\_

AGI		Percentage	AGI		Percentage
\$0	\$15,000	35%	\$31,001	\$33,000	26%
\$15,001	\$17,000	34%	\$33,001	\$35,000	25%
\$17,001	\$19,000	33%	\$35,001	\$37,000	24%
\$19,001	\$21,000	32%	\$37,001	\$39,000	23%
\$21,001	\$23,000	31%	\$39,001	\$41,000	22%
\$23,001	\$25,000	30%	\$41,001	\$43,000	21%
\$25,001	\$27,000	29%	\$43,001	No limit	20%
\$27,001	\$29,000	28%			
\$29,001	\$31,000	27%			

**FLEXIBLE BENEFIT PLAN DEPENDENT CARE SAVINGS:**

4. Enter your out-of-pocket qualified dependent care expenses up to \$5,000 (for one or more children) \$ \_\_\_\_\_
  5. Enter the percentage based on your Federal & State Income Tax Brackets (below) for your filing status: x \_\_\_\_\_%
  6. Multiple the amount in line 4 by 5. This amount is your estimated tax saving through the Flex Plan \$ \_\_\_\_\_
- This calculation is an estimate and only takes into account your Federal income taxes and Social Security Taxes. It does not include state income tax and the tax brackets are approximations.

If your filing status is **head of household:**

OVER:	BUT NOT OVER:	Tax Bracket is:
\$10,120	\$33,520	22%
\$33,520	\$77,075	32%
\$77,075	\$162,800	35%

If your filing status is **married filing jointly:**

OVER:	BUT NOT OVER:	Tax Bracket is:
\$23,350	\$70,700	22%
\$70,700	\$133,800	32%
\$133,800	\$203,150	35%

**CONTACT INFORMATION**

For more information on Flexible Spending, the Flex Debit Card, or to check on the status of a claim, call Total Benefit Services at (559) 431-7062 or visit their web site at [www.totalbenefit.net](http://www.totalbenefit.net). You may also contact Fresno County Employee Benefits at (559) 488-3069 for general information.

**If your Flex Debit Card is lost or stolen, contact Total Benefit Services** or e-mail Jenny at [jenny@totalbenefit.net](mailto:jenny@totalbenefit.net) as soon as possible and they will deactivate your card and issue you a new one.

To access your Flex Debit Card account information online, go to [www.BenefitsPaymentSystem.com](http://www.BenefitsPaymentSystem.com) and click on Participant Login. If you are a new user, click on Create Account. (Note: You will need to have your 8-digit employee ID number and your debit card number available – leave the Employer ID number field blank.)

For a list of merchants that have the ability to approve allowable medical expenses at the point of sale, go to [www.sig-is.org](http://www.sig-is.org) and click on the IIAS Merchants List link. Using these merchants means no further substantiation will be required.

Your Flexible Benefit Plan Administrator: **Total Benefit Services, Inc.**  
**P.O. Box 25070**  
**Fresno, CA 93729-5070**  
**(559) 431-7062**