

WHAT IS A FLEXIBLE SPENDING ACCOUNT PLAN?

As a result of the Revenue Act of 1978, Congress created Section 125 and added it to the Internal Revenue Code. A Flexible Spending Account Plan (also known as a form of Cafeteria Plan or a Section 125 Plan) is a plan that employs the principle of elective compensation for the advantage of the employee. This plan enables you, as an eligible employee, to elect that a portion of your income be used to pay for expenses you know you will incur during the plan year which runs January 1 through December 31.

On October 31, 2013, the U.S. Department of Treasury has modified the "Use or Lose It" rule to allow Medical Reimbursement Account participants to have what is called a "Carryover Provision". The Carryover Provision allows up to \$500 of unused HealthCare FSA account funds to be carried over to the next plan year.

If you elect to participate, the amounts contributed to the plan are not subject to federal and state income tax or FICA and Medicare tax. Therefore, you recognize the tax savings for incurred expenses and an increase in your spendable income.

WHO IS ELIGIBLE?

All active, full-time, non-student employees, if the most recent appointment period is continuous for a minimum of one year (nine or twelve months as appropriate to the appointment), and any other employee who is eligible by virtue of his/her specific job assignment. The effective date for the beginning of this election is the first payday after January 1 and it will continue through the end of the plan year. Newly hired employees have 30 days from their date of hire to elect to participate in the plan. The effective date of the initial enrollment for a newly hired employee will be the first payroll processing period after receipt of the election form by the plan administrator and will last until the end of the plan year. **A new election form must be executed each year during November for the next plan year.**

WHAT DOES IT COST TO PARTICIPATE?

Nothing! The University pays all fees.

HOW WILL THIS BENEFIT ME?

By having a specified amount of your gross income redirected to pay for eligible expenses during the plan year, you pay for these expenses with **BEFORE-TAX** dollars. Since your taxable income is lowered, you pay less federal and state income tax and FICA and Medicare tax. Therefore, your total take home pay (paycheck plus tax-free reimbursement) is more.

HOW DOES THE PLAN WORK?

MEDICAL REIMBURSEMENT ACCOUNT:

Medical reimbursement elections will be capped at \$2,600 per year, per employee, (this does not include any Carryover amounts). You can use your account to pay (using WageWorks Health Care debit card) or reimburse you for eligible medical expenses incurred during the plan year which are not paid by your insurance plan. This includes co-payments, deductibles, and other non-covered expenses, such as prescription, dental and vision services not reimbursed to you from any other medical, prescription, dental or vision care plan. You may be reimbursed for medical expenses for spouse and children. Each of your children is now eligible for coverage through the end of the Plan Year in which he or she attains age 26 (**See website for examples of tax deductible medical expenses and certain over-the-counter medication**).

DEPENDENT CARE REIMBURSEMENT ACCOUNT:

You can deposit into your own personal dependent care account **up to a maximum of \$5,000 per plan year per household if your tax filing**

status is "married filing jointly" or "single head of household" or \$2,500.00 per plan year if your tax filing status is "married filing separate return". You can use this account to reimburse you for dependent care expenses if incurred solely for the purpose of allowing you or if you are married, you and your spouse to work outside the home. These expenses apply to dependents that are under the age of 13. If a dependent is 13 or older, he/she must be physically or mentally unable to care for him or herself for the expense to qualify as a deduction.

You can submit a completed "Dependent Care Claim" form to WageWorks for reimbursement of your eligible dependent care expenses. A debit card will not be issued for this plan.

HOW WILL I KNOW THE STATUS OF MY ACCOUNT?

You can manage and check your account through WageWorks online, over the phone, or mobile app.. The "Claims and Activity" page online details all your account activity and will even alert you if any Card transactions are in need of verification. For the latest information, visit www.wageworks.com and select the "Register First Time User" link. **To Register enter your first and last name, your date of birth, your home zip code and the last 4 digits of your EMPLOYEE ID NUMBER (90...####).** You will be able to log into your account 24/7 and review your most recent FSA activity.

By accessing www.wageworks.com you will be able to:

- Update your account preferences personal information.
- View your transaction and account history for current plan year.
- Schedule payments to health care and dependent care providers.
- Check the complete list of eligible expenses for your FSA program.
- Order additional WageWorks ® Health Care Cards for your family.
- Manager your account while on the go via WageWorks mobile website.

Download the EZ Receipts app so that you are able to file claims and take care of Card use paperwork from your smartphone or mobile device.

CAN I CHANGE MY CONTRIBUTIONS?

The amount of your contributions to the plan must be determined prior to the beginning of the plan year and **cannot be changed unless you have a change in your family status (marriage, divorce, spouse employment change, childbirth, adoption, death of spouse or dependent), you terminate employment with the University, or a change occurs in your dependent care payments which is beyond your control.** If you have a change in family status during the plan year, you have 45 days in which to change your deduction. Please call the AU Human Resources; Payroll & Employee Benefits (844-4183) to request a Mid-Year change form.

HOW ARE CLAIMS PAID?

1. For the current plan year, you may submit a claim for an eligible expense at any time during the plan year to WageWorks. WageWorks Health and Dependent Care reimbursement forms are available in the Human Resources, Payroll and Employee Benefits Office for your use when submitting claims, can be downloaded or submitted via mobile app or online by accessing www.wageworks.com. **You may also fax to (877)353-9236, or US mail: CLAIMS ADMINISTRATOR, P.O. Box 14053, Lexington, KY 40512.**

With your claim form, you must include an itemized receipt or Explanation of Benefits (EOBs), especially if your insurance paid a portion of the expense. Itemized receipts must contain the five pieces of information required to help ensure the approval of your claim. They are:

- Patient Name: Person who received the service or who the item is for. For retail store purchases, this may be excluded.
- Provider: Who delivered the service or if a purchase, where was the item purchased.
- Date of Service: Date services occurred or date item was purchased.
- Type of Service: Detailed description of what service or product was paid for. Bag Tag is sufficient for prescriptions.
- Financial Responsibility: The amount paid for the service or product and/or the portion not reimbursed through your insurance carrier.

Please send copies of your receipts and retain the originals for your files.

Here are some helpful tips for submitting documentation to WageWorks:

- Please make sure documentation is legible; check that it isn't too dark or light and that information is not cut off.
- Do not use highlighters on documentation. Handwritten documentation must include stamped provider information.
- Do not send carbon copies or cancelled checks, they typically do not include all five key pieces of information.

Claims are submitted directly to WageWorks, our plan Administrator. Reimbursements are made by check or direct deposit. It typically takes between 4 to 6 days from the time you submit a claim to when it is adjudicated and either a check or an Explanation of Benefits (EOB) is issued or a direct deposit is made. Each reimbursement check from WageWorks is valid for 180 days from the date of issue. Keep in mind that it is always a good idea to cash reimbursement checks as soon as they are received. With direct deposit, you could prevent this from occurring with future reimbursements.

To set up direct deposit:

1. Log into your account at www.wageworks.com
2. Choose **Profile**
3. Select **Reimbursement Method: Pay me Back or Pay My Provider**
4. Choose **Direct Deposit** and enter your banking account information

Please note, it takes 10-12 business days for the pre-note process to complete once you set up the direct deposit option for the first time. Until the pre-note is completed, reimbursement will be issued via check.

For employees enrolled in the Dependent care reimbursement plan, you can submit a reimbursement request to WageWorks for services even though you do not have funds available in your account. Once funds become available during the current plan year, WageWorks will reimburse you for eligible dependent care claims with proper document either in full or partially (depending on the reimbursement and the available funds in the account).

3. Each employee participating in the Medical Reimbursement Account will be issued a debit card that may be used to pay for eligible expenses at participating health care providers and pharmacies at the time of service or purchase. You can also use it for non-drug Over-the-Counter (OTC) items at merchants that have a standardized (IIAS) IRS-approved Inventory Information Approval System. For a current list of IIAS merchants you can visit www.sigis.com.

When the debit card is presented at a participating doctor's office, or pharmacy, the co-pay amount is transferred from your spending account immediately.

WageWorks' will attempt to verify your transactions without asking for more information, such as using known plan co-pays. If we are unable to

do so, you will be asked to submit the itemized receipt for verification to WageWorks **within 5 days of incurring the expense.** Please use the Card Use Verification (CUV) form available on your account on www.wageworks.com or submit via mail. Use of the debit card is an additional optional convenience but is not a requirement. **If you chose to utilize the WageWorks debit card, please retain all receipts for your records.** You may be required to submit proof of the transactions to WageWorks, or need it for tax purposes. If documentation is not received within 90 days, your card and those issued to eligible dependent(s) may be subject to suspension until documentation is received.

4. Each employee will have the option to utilize the Pay My Provider reimbursement option. This payment option is similar to online bank payment feature. To initiate the Pay My Provider payment option you must submit the required documentation in order for the eligible claim to be processed. The request must be submitted by accessing www.wageworks.com and logging into your account. All requests must be in place 10 days prior to the date that you want WageWorks to mail out the payment and the payment mail date is no more than 10 days to the service date. The Pay My Provider option can be used for as a one-time payment option, or set-up for recurring expenses.

WHAT HAPPENS IF I TERMINATE?

If you terminate employment with the University and you still have money available in your Medical Reimbursement Account, you may continue to access these monies for expenses incurred after you leave as long as you continue to make your designated contributions to the account (COBRA election). There are specific regulations governing continuation; therefore, arrangements must be made with AU Human Resources Payroll & Employee Benefits prior to termination to formalize these payments.

If you do not elect COBRA at termination and still have money available in your flexible spending accounts, you have ninety (90) days following your termination date to submit claims for reimbursement. These claims must cover plan year expenses incurred prior to your termination date.

OTHER IMPORTANT INFORMATION

NEW ANNUAL LIMIT of \$2,600.00 on the Medical Reimbursement Account was effective as of January 1, 2017 in compliance with the Affordable Care Act.

BE CONSERVATIVE! If you have any money left in your **Dependent Care** accounts at the end of the year and have no outstanding claims for eligible expenses incurred during the plan year, that unreimbursed balance cannot be returned to you or carried over to the next year. This is known as the "Use It or Lose It" rule.

You will have 90 days after the end of the plan year to submit receipts for reimbursement for prior year expenses.

A new program offered through our flexible spending account vendor, Wage Works, is the online FSA store, an e-commerce site exclusively stocked with FSA-eligible products-helping you eliminate the confusion of which products are eligible with your flexible spending account. FSA Store accepts all FSA and major credit cards, offers 24/7 customer service, one-to-two-day turnaround for all orders, and free shipping on orders \$50+.

For more information, visit www.wageworks.com/FSAExtras.

Taxes do not apply to reimbursement checks you receive under the plan; therefore, you do not report these as income on your tax return. Any claim you make for reimbursement under the plan cannot also be claimed as a deduction or credit on your tax return.

Reimbursement/claim forms referenced in this document are also available online from the Forms section on the Payroll & Employee Benefits webpage and online at www.wageworks.com

