

# GUIDE TO YOUR FLEXIBLE SPENDING ACCOUNT

A photograph of three people in an office setting. A man in a suit is sitting at a desk with a laptop, smiling. A woman with long brown hair is sitting in a yellow chair, facing away from the camera. Another woman with blonde hair, wearing a red blouse, is sitting next to her, smiling and looking towards the man. The background shows office shelves and windows.

**THE NEW  
FSA**

**USE OR**

*Roll over \$500*

**~~LOSE~~**

  
**Discovery Benefits®**

[www.DiscoveryBenefits.com](http://www.DiscoveryBenefits.com)





## Give yourself a pay raise.

### **Use flexible benefits to bring home more of your paycheck.**

Who couldn't use a little more money? That's what you'll receive when you take advantage of a Flexible Spending Account (FSA).

An FSA allows you to set aside a portion of your salary, before taxes, to pay for qualified medical or dependent care expenses. Because that portion of your income is not taxed, you end up with more money in your pocket.

Follow these three steps and start making plans for that extra money you'll bring home.

### **Three simple steps to a successful FSA:**

1. Plan—how much money you want to set aside.
2. Spend—on qualifying medical and dependent care expenses.
3. Collect—the money you've set aside.

**Get started today. It's a great perk from your employer and it'll save you money.**

## Two ways to save money.

**Use a Flexible Spending Account to set aside money for medical and/or dependent care expenses.**



**1. Health FSA** — set aside money to pay expenses not covered by your medical insurance. There are two types of accounts:

- If you have traditional medical insurance, you'll use a regular Health FSA for things like coinsurance, copays, prescriptions, medical deductibles and medical equipment.
- If you have a High-Deductible Health Plan (HDHP) along with a Health Savings Account (HSA), you'll use a Limited Health FSA to pay for dental, vision and medical preventive care until your annual deductible is met. (See your Summary Plan Description for details.)

**2. Dependent Care Account (DCA)** — set aside money for dependent care for children up to age 13, a disabled dependent of any age or a disabled spouse. To be eligible for this type of account, both you and your spouse (if applicable) must work, be looking for work or be full-time students.



### **Tax considerations for your family.**

Determine whether you benefit more from a DCA or by taking the dependent care tax credit.

- The DCA contribution maximum is \$5,000/year.
- The tax credit limit for one child is \$3,000/year. The limit for two or more children is \$6,000/year.
- If you have one dependent and spend more than \$3,000 in day care expenses, you'll benefit from the DCA.
- If you have two or more dependents and spend more than the \$6,000 in day care expenses, you'll benefit more by putting \$5,000 into the DCA and applying the remaining \$1,000 to the tax credit.

Generally, if your family's adjusted gross income is less than \$39,000 a year, it's best for you to take the tax credit rather than participating in the DCA.

### **Meet the Smiths**

Mom and dad both work outside the home. One child attends school; the other goes to a home day care. Together they make \$7,500 per month and claim four exemptions on their income taxes. Look at their take-home pay:

	With an FSA	Without an FSA
Gross monthly salary	\$7,500	\$7,500
Health FSA contribution	\$208	\$0
DCA contribution	\$416	\$0
Taxable income	\$6,876	\$7,500
Taxes	\$2,407	\$2,625
Net pay	\$4,469	\$4,875
Post tax medical expenses	\$0	\$208
Post tax dependent care expenses	\$0	\$416
<b>Monthly Income</b>	<b>\$4,469</b>	<b>\$4,251</b>

**The Smiths saved \$218/month or \$2,616/year!**



# Step One: Plan

**Use the worksheets on the next page to estimate your spending.**

Each year during your company's open enrollment period, you'll have the opportunity to enroll or change your FSA contributions. Being prepared will help you realize the greatest savings.

## **Things to consider as you plan:**

- With the rollover option, you may no longer have to worry about losing the funds you don't use. If your employer designed your plan to include a rollover, you can carry over some of your remaining FSA balance into the next year, minimizing the impact of the IRS "use or lose" rule, which states that you lose any leftover balance in your account at the end of the plan year.
- Your employer may offer a carryover to carry some of your remaining balance into the following year. Refer to your plan's Summary Plan Description (SPD) to learn more.
- The maximum contribution amount for your Health FSA is determined by the IRS and your employer. Ask your employer to make sure you're within the limits of your program.

### **No more use it or lose it.**

The rollover option lets you carry over \$500 of your FSA balance into the next year.

## Health FSA Worksheet



### Keep these things in mind:

- Use the money in this account to pay for the diagnosis, cure, prevention or treatment of a disease.
- Expenses cannot be reimbursed by insurance or any other source.
- You cannot change, midyear, the amount you set aside unless there is an IRS-approved status change event.
- For a Limited Health FSA, only record expenses for vision, dental and preventive care. (You can use your HSA for other eligible medical expenses, if offered by your employer.)

Insurance deductibles	\$ _____
Co-pays/coinsurance	\$ _____
Exams	\$ _____
Prescription drugs	\$ _____
Diabetic supplies	\$ _____
Chiropractic	\$ _____
*Over-the-counter medicines	\$ _____
Hearing exams	\$ _____
Hearing aid	\$ _____
Hearing aid battery	\$ _____
Dental fillings, bridges, crowns	\$ _____
Dentures	\$ _____
Orthodontia	\$ _____
Vision exams	\$ _____
Glasses (lenses and frames)	\$ _____
Contact lenses	\$ _____
Contact lens solution	\$ _____
Corrective eye surgery	\$ _____

**Total: Amount to set aside** \$ \_\_\_\_\_

**Divide by # of paychecks/year** \$ \_\_\_\_\_

## Dependent Care Account Worksheet



### Keep these things in mind:

- \$5,000 annual maximum per household.
- Record expenses for dependent children under age 13 who you claim on your taxes, or a disabled spouse or dependent of any age.
- To qualify, you and your spouse must be employed, or your spouse must be a full-time student or looking for work.
- Once the plan year has started, you cannot change your election unless there is an IRS-approved status change event.

January	\$ _____
February	\$ _____
March	\$ _____
April	\$ _____
May	\$ _____
June	\$ _____
July	\$ _____
August	\$ _____
September	\$ _____
October	\$ _____
November	\$ _____
December	\$ _____

**Total: Amount to set aside** \$ \_\_\_\_\_

**Divide by # of paychecks/year** \$ \_\_\_\_\_

### FSA: Over-the-Counter (OTC) Purchases

As a result of Health Care Reform, the IRS will require a prescription for OTC medication to be eligible for reimbursement. Go to [www.DiscoveryBenefits.com](http://www.DiscoveryBenefits.com) for other reform updates.

## Step Two: Spend

Use the money you've set aside throughout the plan year.



### Medical expenses — a list of items typically eligible\*

Acupuncture	Insulin
Alcoholism treatment	Laboratory fees
Ambulance	Lead-based paint removal
Artificial limbs	Learning disability treatment
Artificial teeth	Medical services
Birth control	Nursing services
Braces	Operations (non-cosmetic)
Braille books and magazines	Osteopathic physician appointments
Special car hand controls/special car equipment for a disability	Over-the-counter medications**
Chiropractor's fees	Oxygen
Christian Science practitioners' fees	Prescription drugs
Contact lenses	Psychiatric care
Contact lens solution	Psychoanalyses
Crutches	Psychologist visits
Dental fees (not cosmetic)	Sterilization
Diagnostic fees	Telephone for hearing impaired
Drug addiction treatment	Television for hearing impaired
Eyeglasses	Therapy**
Eye exams	Transplants (organ)
Guide dog	Transportation
Health club membership dues**	Vitamins**
Health institute	Weight loss programs** (not food)
Hearing aids	Wheelchair
Hearing aid batteries	X-ray
Hospital services	
Immunizations	

### Medical expenses — a list of items typically ineligible\*

Babysitting and childcare  
 Bleaching teeth (cosmetic)  
 Cosmetic surgery  
 Dancing lessons  
 Diaper service  
 Electrolysis  
 Face lifts  
 Feminine hygiene products  
 Food  
 Funeral expenses  
 Hair transplants  
 Household help  
 Illegal operations or treatments  
 Insurance premiums  
 Laetrile  
 Liposuction  
 Marijuana (even if used medically)  
 Maternity clothes  
 Prescription drugs considered cosmetic  
 Rogaine  
 Swimming lessons  
 Any expense not considered "medically necessary" by IRS  
 Expenses for general health, even if doctor-prescribed

### Keep this in mind:

- The date of your medical service—not the billing date—determines the plan year from which the expense can be reimbursed. Ask your Human Resources department for the start and end dates of your plan year.
- Your full annual election amount for the Health FSA is available at any time during the plan year, regardless of how much you've actually contributed to date. In other words, it's a prefunded account.

### FSA: Over-the-Counter (OTC) Purchases

As a result of Health Care Reform, the IRS will require a prescription for OTC medication to be eligible for reimbursement. Go to [www.DiscoveryBenefits.com](http://www.DiscoveryBenefits.com) for other reform updates.



### Dependent care expenses — what's eligible:

- Care for children under age 13 who are claimed as qualifying dependents
- Disabled spouse or dependent of any age

### Dependent care expenses — what's not eligible:

- Costs already claimed as a dependent care tax credit on your tax return
- Nursing home, respite care or other residential care centers
- Services provided by one of your dependents
- Expenses while on vacation

### Keep this in mind:

- The IRS allows changes to your dependent care account throughout the plan year:
  - If you change day care providers
  - If your child turns age 13
  - If the cost of qualified day care expenses increases or decreases
- If you submit receipts totaling more than you've contributed to your account, you'll be reimbursed up to what has been contributed to your account. The remainder will be issued automatically as the funds become available.

## Choose the way you pay for eligible expenses.

### Pay up-front and get reimbursed.

- Pay for services and products.
- Submit reimbursement request with proof of purchase information showing date and type of service (also called substantiation).
- Have your funds automatically deposited into your checking or savings account, or receive a check.

### OR

### Pay eligible expenses with your Discovery Benefits debit card.

- Use your Discovery Benefits debit card to pay for eligible services and products.
  - Payments are automatically withdrawn from your FSA, so you don't incur out-of-pocket costs.
- Discovery Benefits debit card purchases need to be verified to satisfy IRS requirements. Some merchants can provide all the IRS-required information right at the point of sale. Other purchases will need to be verified with receipts and dates and type of service. (Learn more about substantiation on the following pages.)
- Receive one card when you enroll.
  - Request additional cards for your spouse and dependents 18 years of age or older for free.
  - There's no fee for replacing lost or stolen cards.





# Step Three: Verify & Collect

Substantiation is the key to  
success with your FSA.







### For medical expenses, the IRS requires you to substantiate:

- Date service was received or purchase made
- Description of service or item purchased
- Dollar amount
- Provider or store name
- In some cases, a Medical Necessity Form, prescription or physician letter may be required

**Note:** In some cases, the plan's design requires that your health insurer's Explanation of Benefits (EOB) is provided as substantiation for your expense. If you receive a receipt from your provider for a copay amount, make sure the receipt says "copay." If not, ask your provider to write "copay" on your receipt before leaving the office.

Vague or missing information causes your reimbursements to be held up or become ineligible. Hang on to your receipts and documentation.

#### FSA: Over-the-Counter (OTC) Purchases

As a result of Health Care Reform, the IRS will require a prescription for OTC medication to be eligible for reimbursement. Go to [www.DiscoveryBenefits.com](http://www.DiscoveryBenefits.com) for other reform updates.

### For dependent care expenses, the IRS requires you to substantiate:

- Dates of service
- Dollar amount incurred
- Day care provider name
- Day care provider signature

**Note:** Day care expenses must be incurred (not just paid) to receive reimbursement. Registration fees cannot be reimbursed until the services are actually incurred.

Vague or missing information causes your reimbursements to be held up or become ineligible. Hang on to your receipts and documentation.



### Verifying your Discovery Benefits Debit Card

For both medical and dependent care purchases made on your Discovery Benefits Debit Card, the IRS requires the expense to be verified.

Some of those purchases can be verified electronically right at the point of purchase, so there's no need for additional substantiation.

- Look for pharmacies and drug stores that have an Inventory Information Approval System (IIAS) or that meet the IRS's 90% rule. (**Note:** With 90% merchants, you will still need to submit substantiation.)
  - Find a current list of IIAS and 90% merchants online at [www.DiscoveryBenefits.com/IIAS](http://www.DiscoveryBenefits.com/IIAS).
  - In some cases, a Medical Necessity Form may be required if the expense is considered both a medical expense and a general use item.
  - Hang on to receipts in case you are later asked for verification of the purchase.
  - You can upload and save receipts in your online account.

Other card purchases will require additional substantiation because the providers don't typically have the IIAS in place. They include:

- Doctor's office visits
- Hospitals
- Clinics
- Dental providers
- Vision/optical facilities
- Pharmacies and drug stores without an IIAS
- 90% merchants

### Helpful hint on using your card.

Don't use the card for amounts that still need to be processed by insurance, such as deductibles and coinsurance. When you receive your final statement from the provider showing insurance has been paid, write your Discovery Benefits debit card number on the statement and mail it to your provider.

### Enrolled in a Limited Health FSA?

You can only use your Discovery Benefits debit card for dental and vision expenses. If your plan allows, once you meet your annual deductible, you may use your Limited Health FSA (but not your card) for all eligible IRS expenses. Check your Summary Plan Description for details about the Limited Health FSA.

## Choose the way you submit your documentation.



- Enter claim information online.
- Upload your receipt.
- Reimbursement will be processed once your substantiation is received.



- Download and print the Out-of-Pocket Reimbursement Request Form.
- Complete and fax the form, along with your substantiation, to: 866-451-3245.



- Complete the Out-of-Pocket Reimbursement Request Form and mail it, along with your substantiation, to:  
Discovery Benefits  
PO Box 2926  
Fargo, ND 58108-2926



- Download the free Discovery Benefits mobile application on your Apple or Android device.
- Take a picture of your document using your device and submit it through the app.

### Choose your reimbursement method

- Direct deposit
- Check

You'll automatically receive a check unless you enroll in direct deposit.





#### **Your privacy**

HIPAA (the Health Insurance Portability and Accountability Act) has changed the way we share information. We do not share balances, claims or payments with spouses or anyone else without an assigned authorization form from you. If you decide you want us to share information with someone, simply complete an Authorized Representative Form and send it to us. The authorization is in effect indefinitely, unless we receive a written request from you to terminate the authorization.



We're here for you.



**www.DiscoveryBenefits.com**

- File a claim
- Check account balance and claim status
- View account history
- Access administrative forms
- Contact us via email
- Manage your profile
- Live chat



**866-451-3399**

- Speak to a service representative, M-F 6:00 a.m. to 9:00 p.m. CST
- Get answers to your FSA questions
- Access account balance information 24/7 through an Interactive Voice Response (IVR) system
- Be prepared to verify the primary account holder's information when calling



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