



Professional Benefit Administrators, Inc.

Flexible Spending Account Enrollment Kit

Purchase Benefits with Tax-Free Dollars!





Professional Benefit Administrators, Inc.

Save Money with a Health and Dependent Care Flexible Spending Account!

A **Flexible Spending Account (FSA)** is a tax-advantaged financial account that can be set up through a cafeteria plan with the help of your employer. FSAs allow employees to set aside a portion of their earnings to pay for qualified expenses as established in the cafeteria plan, most commonly for medical expenses but also for dependent care or other qualified expenses. Money deducted from an employee's pay and deposited into an FSA is not subject to payroll taxes, resulting in a substantial savings.

Types of FSA

Most employers offer Flexible Spending Accounts for contributions to your medical plan, qualified medical expenses and for dependent care expenses.

Medical Expense FSA

This is commonly used to pay for deductibles, co-payments and coinsurance for the medical plan, but may also include expenses not covered by the health plan, such as dental and vision expenses and over-the-counter drugs. A medical FSA cannot pay for health insurance premiums, cosmetic items, cosmetic surgery or items that improve "general" health. All items must be intended to treat or prevent a specific medical condition such as diabetes, pregnancy or even a skin cut. Generally, allowable items are the same as those qualifying for a medical tax deduction.

While an employer may limit the annual amount each employee may contribute to a medical FSA, the IRS does not impose a cap.

Dependent Care FSA

FSAs can also be established to pay for certain expenses to care for dependents that live with you while you are at work. While this often means child care, it can also apply to adult day care for senior dependents living with you, such as parents. It cannot be used for summer camps (other than "day" camps) or long term care for parents who live elsewhere (such as a nursing home).

The dependent care FSA is federally capped at \$5,000 per year. While married spouses can each elect to have this amount deducted from their paycheck and applied to expenses, all withdrawals over \$5,000 are taxed. Unmarried couples can each deduct and use \$5,000. Unlike medical FSAs, dependent care

FSAs cannot be pre-funded. Employees can only be reimbursed as funds are deposited into the FSA.

If married, BOTH spouses must earn income in order for the Dependent Care FSA to work. The only exception is if the non-earning spouse is disabled or a student. If one spouse earns less than \$5,000, the benefit is limited to whatever that spouse earned.

FSA Advantages

Tax Savings – As an example, with flexible spending, deducting \$2,000 per year from taxable income and depositing it into a medical FSA can result in annual tax savings of nearly \$750.

Pre-Funding – Medical FSAs are pre-funded by the employer, which means that regardless of the amount you set aside each pay period, the entire total of your annual contributions is available for use immediately.

Over-the-Counter Purchases – A very powerful feature of medical FSAs is the ability to pay for over-the-counter (OTC) drugs and medical items. Adding OTC items has made it much easier to comply with the "use it or lose it" rule.

FSA Rules

Use It or Lose It Provision – One drawback is that the money you set aside in a FSA must be used within the coverage period or the plan year. Allocations remaining unspent at the end of the plan year revert back to the plan. With proper planning this provision and potential losses can be avoided.

Changes During the Plan Year – The annual contribution amount must remain the same throughout the year unless certain qualifying events occur, such as birth of a child or death of a spouse.

PBA Makes It Easier to Manage Your Medical FSA!

The PBA Benefit Card is Fast, Easy and Automatic

With the PBA Benefit Card, a special-purpose Visa® card for use with FSAs, you simply swipe the card at the point of purchase, and the funds are automatically deducted from your medical Flexible Spending Account for payment. The PBA Benefit Card eliminates most out-of-pocket expenses and reduces paperwork.

- **Works like any credit or debit card**
- **Use it for co-pays at doctor's offices or pharmacies**
- **No need to file a claim and wait for reimbursement**
- **IIAS approved (Information Approval Systems)**



Direct Deposit

Direct Deposit of non Benefit Card reimbursements is available and you can be notified by email when a direct deposit has been issued.

Manage Your Flexible Spending Account Online!

Our web-based administration makes it easy for you to enroll, file claims and enjoy prompt reimbursement of eligible expenses. Paperwork is reduced, time is saved and your security is assured.



Review your plan, check your account balances or file a claim – 24/7.

Whether you have a medical care FSA, dependent care FSA or both, filing a claim and reviewing claim status is easy.

Flexible Spending Account Worksheet

This worksheet is provided to help you determine how much to contribute to your Flexible Spending Account in the coming plan year.

Health Care FSA

To estimate your expenses, review your health care expenses from last year and consider any new health care expenses that you, your spouse and your dependents may be anticipating.

TYPE OF EXPENSE	EXAMPLES	ESTIMATED ANNUAL COST
Deductibles	Medical, dental, vision	\$ _____
Co-payments/co-insurance	The amount not paid by your health plan coverage	\$ _____
Amounts paid over plan limits		\$ _____
Expenses not covered by insurance	Over-the-counter drugs	\$ _____
Vision care	Glasses, contacts, solution, exams, etc.	\$ _____
Dental care	Cleanings, orthodontics, crowns, etc.	\$ _____
Treatment/therapies		\$ _____
Medical equipment		\$ _____
Health care related mileage	Trip to and from doctor, dentist, etc.	\$ _____
Other anticipated health care expenses		\$ _____
Total Expenses for Health Care		\$ _____

Dependent Care FSA

To estimate your expenses, review dependent care expenses from last year and consider any anticipated new dependent care expenses.

TYPE OF EXPENSE	EXAMPLES	ESTIMATED ANNUAL COST
Annual child care expenses	Child care center	\$ _____
In-home care		\$ _____
Nursery or preschool		\$ _____
After school care		\$ _____
Au pair services		\$ _____
Summer day camp		\$ _____
Annual Elder Care Services	Elder day care center	\$ _____
Total Expenses for Dependent Care		\$ _____

Flexible Spending Account Eligible Expenses

The IRS defines medical care expenses as amounts paid for the diagnosis, cure, mitigation or treatment of a disease and for treatments affecting any part or function of the body. The expenses must be primarily to alleviate a physical or mental defect or illness.

With that in mind, we have listed examples of the medical expenses eligible for payment under the Medical Reimbursement Account to the extent such expenses are not covered by your medical or dental benefit plan. **This list is NOT all-inclusive** and other expenses not listed may also qualify. For more information, please refer to IRS Publication 502 Medical and Dental Expenses. To be eligible for reimbursement, the purchase or service must be provided during the account plan year.

OTHER MEDICAL TREATMENT / PROCEDURES

- Acupuncture
- Anesthetics
- Blood transfusion
- Cardiographs
- Cosmetic Surgery (if medically necessary)
- Hearing exams
- Infertility
- In-vitro fertilization
- Physical examination (not for employment)
- Physical therapy
- Smoking cessation programs
- Speech therapy
- Sterilization
- Surgery
- Treatment for handicapped
- Vaccinations/Immunizations
- Well baby care

OBSTETRIC SERVICES

- Mid-wife expenses

- OB/GYN prepaid maternity fees (reimbursable after date of birth)
- Pre-natal/Post-natal treatment
- Pre-natal vitamins

LAB EXAMS/TESTS

- Blood tests
- Cardiographs
- Diagnostic
- Laboratory fees
- Metabolism tests
- Spinal fluid tests
- Urine/stool analyses
- X-Rays

PRACTITIONERS

- Allergist
- Anesthetist
- Chiropractor
- Christian Science
- Dentist
- Dermatologist
- Gynecologist
- Midwife
- Neurologist

- Obstetrician
- Ophthalmologist
- Optician
- Optometrist
- Osteopathic Physician
- Pediatrician
- Physician
- Podiatrist
- Psychiatrist
- Psychologist
- Surgeon

DENTAL SERVICES

- Crowns/bridges
- Dental X-Rays
- Dentures/False Teeth
- Exams/Teeth Cleaning
- Extractions
- Fillings
- Gum Treatment
- Dental Implants
- Oral Surgery
- Orthodontia/Braces

MEDICATIONS

- Insulin
- Prescribed Drugs

- Prescribed Vitamins (to treat specific disease)

OTHER MEDICAL EQUIPMENT, SUPPLIES AND SERVICES

- Arches/orthopedic shoes
- Blood glucose monitor
- Blood pressure equipment (with medical necessity letter)
- Counseling
- Crutches
- Hearing aids & batteries
- Home health
- Lamaze
- Learning disability (special school/teacher)
- Lifting devices
- Medic alert bracelet or necklace
- Oxygen equipment
- Over The Counter qualified items (visit PBA website)
- Prescribed medical & exercise equipment
- Splints/casts

- Telephone equipment (hearing impaired)
- Wheelchair
- Wigs (hair loss due to disease)

VISION SERVICES

- Artificial eyes
- Contact lenses
- Contact lens solution
- Eye examinations
- Eyeglasses
- Laser eye surgeries
- Prescription sunglasses

INSURANCE-RELATED ITEMS

- Co-Pay amounts
- Deductibles
- Pre-existing condition medical expenses

FSA Ineligible Expenses

While this is not an all-inclusive listing, the IRS does not allow the following expenses to be reimbursed by a Flexible Spending Account.

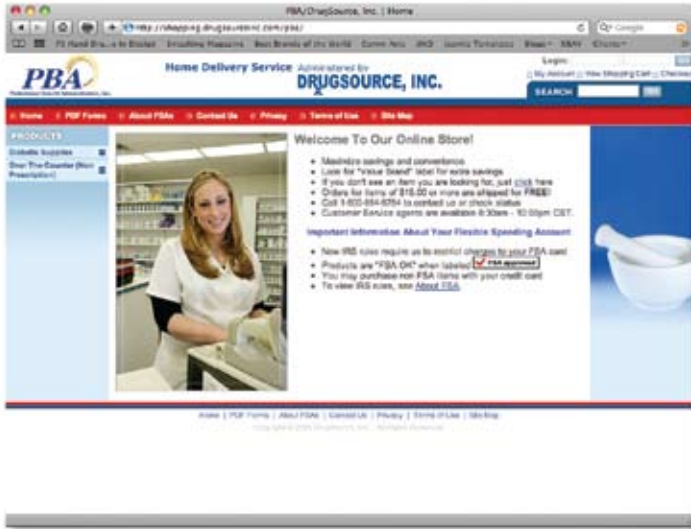
- Athletic club dues
- Babysitting
- Cancelled appointment fees
- Cemetery plots
- Child adoption expenses
- Contact lens insurance
- Cosmetic surgery/procedures
- Dancing lessons
- Diaper services
- Discounted fees/write-offs
- Ear piercing
- Electrolysis
- Electronic toothbrush
- Exercise equipment
- Eyeglass insurance
- Funeral expenses
- Hair loss medication
- Hair transplant
- Health club dues
- Health insurance premiums
- Insurance premiums & interest charges
- Marriage counseling
- Massage therapy**
- Maternity clothes
- Swimming lessons
- Tattoo removal
- Teeth whitening/bleaching
- Toiletries, toothpaste, etc.
- Varicose vein treatment*
- Vitamins/supplements
- Weight loss programs and/or drugs*

* Eligible only with Doctor's certification identifying the medical condition and length of treatment program.

** Eligible only with Doctor's certification identifying the physical nature of the medical condition and length of treatment program. Massage therapy for the sole purpose of tension/stress relief or depression (even with a doctor's statement) does not qualify.

Please be aware that the IRS looks to the reasonableness of the cost of the treatment. For example: Physician recommends an exercise program for a specific medical condition. Can the same benefits be obtained by daily walking rather than purchasing a health club membership or exercise equipment?

Purchase Your Flex Eligible OTC Products Online with DrugSource, Inc.



PBA has partnered with DrugSource, Inc. to maximize your savings and convenience by making it easy to buy your over the counter (OTC) Flex-eligible products online. When you purchase your Flex-eligible OTC goods online, you will be automatically reimbursed from the available funds in your Flex plan.

The increased buying power of DrugSource, Inc. makes it possible for you to purchase eligible over-the-counter goods at very competitive prices and receive free shipping on orders over \$15.00.

To contact DrugSource, Inc., call **(800) 854-8764** or login to: <http://shopping.drugsourceinc.com/pba/>

***Flexible Spending Accounts from PBA...
the easy way to increase your benefits AND your take-home pay!***



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