

## **MEDICAL CARE AND DEPENDENT CARE REIMBURSEMENT ACCOUNTS**

### ***Who Should Enroll?***

If you answer “yes” to any of the questions below, you can probably save money by participating in the plans explained below. You may enroll by completing the enrollment form and returning it to Health Plans, Inc.

The plan year begins on July 1, 2011 and ends on June 30, 2012.

### ***Medical Care Reimbursement Account***

Do you expect to have any medical, dental, orthodontia or hearing expenses, including deductibles and co-payments, not covered by insurance?

Do you or someone in your family need new glasses or contacts?

### ***Dependent Care Reimbursement Account***

Do you pay for a sitter, housekeeper or day care center to care for your child, which enables you to work outside your home?

Do you pay for a before or after-school program?

Do you pay for a day care program or nurse to care for an elderly or incapacitated relative?

### ***How Do The Reimbursement Accounts Work?***

These accounts work much like checking accounts. During Open Enrollment each year, you decide how much you want to deposit in each account for the following plan year.

The money is automatically deducted from your check each pay period in equal amounts—before taxes are taken out. This applies to federal, state and local taxes, and Social Security tax.

When you pay expenses that qualify under the plan, submit a claim form, and you will be reimbursed in tax-free dollars from your account.

## ***What is The Pre-Tax Advantage?***

To understand the pre-tax advantage, look at the example below of an employee paying \$500.00 in expenses. Assume the employee's tax rate is 30%.

	<i>Without Reimbursement Account</i>	<i>With Reimbursement Account</i>	<i>Tax Savings With Account</i>
Paid expense	\$ 500	\$ 500	
Taxes paid on \$500.00	\$ 150	\$ 0	<b>\$ 150</b>
Amount employee needs to earn to pay expense	<hr/> \$ 650	<hr/> \$ 500	

## ***What are Some Eligible Medical Care Expenses?***

You can use your Medical Care Reimbursement Account Plan to reimburse yourself for medical care expenses that are not covered by any medical or dental insurance. *A list of eligible expenses is included.*

NOTE: If you use the Medical Care Reimbursement Account Plan for these expenses, you cannot take a tax deduction for the same expenses.

## ***What are Eligible Dependent Care Expenses?***

You can use the Dependent Care Reimbursement Account Plan to reimburse child or dependent care expenses that are necessary for you (or if you are married, you and your spouse) to work outside the home. The maximum deposit for the year is \$5,000 per joint or single tax return (\$2,500 if married filing separately).

These expenses include the cost of a day care center, babysitter, or a nurse in your home. You cannot pay one dependent, your teenage daughter, for example, to care for another dependent.

An eligible dependent for this plan is a dependent under age 13 or a dependent or spouse of any age who is physically or mentally incapable of self care. For example, daycare expenses for a parent or a spouse who resides in your home are eligible. However, expenses for a nursing home are not an eligible expense.

The amount to be reimbursed must not be greater than your income or your spouse's, whichever is lower. For example, if you earn \$20,000 per year and your spouse earns \$4,000 per year, the maximum you can be reimbursed for dependent care is \$4,000.

If you choose to be reimbursed for dependent care expenses under this plan, you cannot take advantage of the federal dependent care tax credit for the same expenses. If your adjusted gross income (your total family income less qualifying deductions) is greater than \$24,000, you should consider using the Dependent Care Reimbursement Account for the first \$5,000 of child care expenses. If your adjusted gross income is less than \$24,000, you may be better off using the federal dependent care tax credit first.

## ***What is the Grace Period?***

The Grace Period extends the timeframe you have to incur eligible medical care expenses before the remaining account balance is no longer available and forfeited. The Child Development Services flex plan runs for a 12-month period.

The grace period, in effect allows for a 14 ½ month timeframe. As a result, for the Child Development Services plan year, the grace period will run from July 1st through September 15th. This gives you an additional 2 ½ months to incur eligible expenses.

Example: Joe elects to participate in the flexible spending arrangement having a plan year ending June 30th. Joe defers \$1,000 of his pay to his plan account during the year. At the end of the year, he still has \$100 left in his account. Under the use-it-or-lose-it rule, the \$100 would be lost. On January 15<sup>th</sup> following the plan year end, Joe incurs a \$100 medical expense. The flex plan may reimburse that expense from the prior year's balance and, as a result, Joe would not forfeit the \$100 balance remaining at the end of the prior plan year.

## ***How and When Do I File a Claim?***

You may file the claim at anytime during the plan year for eligible expenses incurred during the plan year. An expense is incurred when the service is provided, not when you are billed or when you pay for it.

You may continue to file claims for eligible expenses incurred during the plan year after the plan year has ended. You have until September 30, 2012 to do so. For example, if you incur \$600 of eligible medical care expenses in 2011/2012, you may submit your claim for those expenses at any time through September 30, 2012. All request for reimbursement need to be received at Health Plans, Inc. by September 30, 2012. However, it is not recommended that you wait this long.

If you have medical care expenses that are covered by any medical or dental plan, you need to first submit your claims for the expenses to the organizations providing coverage. If you are not reimbursed in full for your covered expenses, you should then submit a Reimbursement Account Plan Claim Form.

## ***What Happens if I Leave the Company During the Plan Year?***

In the event your employment terminates you may be offered an extension under COBRA.

You will be offered the extension if the amount of the reimbursement available as of your termination date is greater than the total remaining contributions (premiums) for the year.

Example 1: Assume a \$10/week Contribution and termination is effective August 31

Annual Election	\$520 (\$10/week)
<b>Less:</b> Claims submitted prior to terminate date	\$100
<b>Reimbursement available</b>	<b>\$420</b>
<b>Remaining contributions (premiums) Sept - Dec</b>	<b>\$200 (\$10/week x 20 weeks)</b>

*COBRA would be offered because the reimbursement available is greater than your remaining contributions.*

Example 2: Assume a \$10/week Contribution and termination is effective April 30

Annual Election	\$520 (\$10/week)
<b>Less:</b> Claims submitted prior to termination date	\$400
<b>Reimbursement available</b>	<b>\$120</b>
<b>Remaining contributions (premiums) Sept - Dec</b>	<b>\$360 (\$10/week x 36 weeks)</b>

*COBRA would NOT be offered because the reimbursement available is less than the remaining contributions.*

Please note once you are no longer an active employee or continuing participating under COBRA in the Health Reimbursement Accounts. You may however, submit claim forms for claims with ***dates of service prior to the date your participation ended***. Please refer to Page 2 “How and When Do I File a Claim” for the period of time during which you may file claims with ***dates of service prior to the date your participation ended***.

NOTE: Dependent Care Accounts are not subject to COBRA.

## ***What Happens if I Have Any Money Left in my Accounts at the End of the Year?***

If you have any money left in your accounts at the end of the plan year, and you have no outstanding claims for eligible expenses incurred during the year, IRS rules require that you lose your unused balance. Unused balances from all participants will be used to offset the expense of administering the plan.

## ***Planning Your Medical Care Reimbursement Account***

Using this plan can be tax-effective, but you have to plan carefully. If you have not participated in the plan in the past, the worksheet below can help you decide on the amount you decide to contribute.

Add up these medical care costs that you expect to pay in 2011/2012.

Your share of medical coverage (deductibles, co-payments)	\$ _____
Dental & Medical expenses that are greater than the plan maximums	\$ _____
Medical care expenses not covered by your medical or dental plan.	\$ _____
TOTAL- Consider depositing this amount in your account.	\$ _____

## ***Is There Anything Else I Need to Know About The Reimbursement Accounts?***

Your total elected deposits to your reimbursement accounts are for one year only. They can be used to reimburse you for expenses incurred only in that plan year. Next year you can change the total amount of your deposit in your accounts, or you can decide not to participate at all.

You cannot make any changes in your deposits or end your participation during the year unless you have a change in family status, such as marriage, divorce, death or birth of a dependent, or termination of employment of your spouse. Any changes in your participation must be on account of and consistent with the change in family status.

**The following list, while not intended to be complete,  
gives examples of eligible expenses under the plan:**

Abortions  
Acupuncture  
Alcoholism Treatment Centers  
Ambulance Services  
Artificial Limbs  
Artificial Teeth (Dentures)  
Braces (see Orthodontia)  
Braille-books and materials  
Child Birth Classes (only expenses incurred for the mom to be)  
Chiropractors Expenses  
Co-Insurance Amounts  
Contraceptives (including birth control pills, spermicidal foam, and condoms)  
Cosmetic Surgery (only if necessary to improve a deformity directly related to a congenital abnormality)  
Crutches  
Deductibles  
Dental Treatments (including x-rays, fillings, and extractions)  
Elastic Hosiery  
Gym Membership (only if necessary to treat a medical condition-must receive a letter of medical necessity from your physician. To keep in good health is not considered a medical condition. Fees are reimbursed on a monthly basis.)  
Hearing Aids and Batteries  
Hospital Fees (In patient, Out patient, laboratory, surgical, and diagnostic services)  
Insulin  
Lasik Surgery  
Massage Therapy (a letter of medical necessity from your physician will be required)  
Medical Bracelet or necklace  
Orthodontia  
Orthopedic Shoes (reimbursement is limited to cost in excess of regular shoes)  
Oxygen  
Physician Fees  
Physical Therapy  
Sales Tax  
Shipping and Handling Fees (fees associated with drugs or other medical products)  
Smoking Cessation Products and Programs  
Sterilization Fees  
Weight Loss products/programs (only if necessary to treat a medical condition-must receive a letter of medical necessity from your physician. To keep in good health is not considered a medical condition.)  
Wheelchairs  
Wigs

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**Eligible Dependent Care Expenses**

After School or Extended Day programs  
Au Pair Expenses  
Custodial or Elder Care Expenses (eligible only when claimed on your tax return as a dependent)  
Deposit (only if applied towards the cost of the child care expenses. Registration fees are not eligible)  
Expenses paid to a relative (unless relative is a tax dependent of the participant or child under the age of 19)  
Pre Kindergarten/Nursery School  
Summer Day-Camp (Overnight camp is not eligible for reimbursement)

**\*\*Please note that all monies paid to daycare providers must be claimed on their Income Tax Return even if that person is a relative of the participant.**

## Does My Plan Allow for Reimbursement of Over-the-Counter Medicine or Drugs?

**Under the terms of a recently enacted federal rule, Over-the-Counter medicines or drugs (other than insulin) are reimbursable only when a physician's prescription accompanies the claim and proper receipt. The new rule applies to all OTC medicines or drug expenses incurred on or after January 1, 2011. Plan participants are strongly encouraged to take this factor into consideration when determining their annual elections.**

With a physician's prescription, as explained above, OTC medicines and drugs are eligible health reimbursement items under your plan. An Eligible OTC item is a medicine or drug that is used for "medical care" for the diagnosis, cure, mitigation, treatment, or prevention of disease or for the purpose of affecting any structure or function of the body. Items that are taken only for an individual's general health and well-being are not reimbursable. The following is a list of drugs that fall into three categories. The categories are determined by the items main purpose. These lists are not intended to be exhaustive. Other drugs not listed may fall into the categories described below.

### **These items are reimbursable with a physician's prescription and proper receipt:**

Acne Treatments	Cough Drops
Allergy Prevention & Treatment	Hemorrhoid Treatments
Antacids & Acid Reducers	Ibuprofen
Antihistamines	Menstrual Pain Relievers
Antidiarrheal & Laxatives	Migraine Medications
Anti-Fungal	Motion Sickness Medications
Anti-Itch Lotions and Creams	Sleep Aids
Aspirin	
Cough & Cold Medicines	

### **These items are reimbursable with a physician's note stating the diagnosis of the medical condition and a prescription for the OTC drug:**

- Anti-baldness/hair loss/hair replacement treatments
- Medicated Shampoo
- Dental fluoride treatments, special mouthwashes, or treatment for gingivitis
- Fiber Supplements
- Herbal Supplements
- Vitamins
- Weight Loss/Dietary Supplements

### **These items are not eligible for reimbursement:**

- Deodorants
- Face creams, moisturizers, eye creams, and wrinkle reducers
- Hair removal treatments and waxes
- Mouth washes, antiseptics and oral anesthetics
- Teeth Whitening kits, powders
- Toothbrushes
- Toothpaste