

# Health Care Flexible Spending Account



To participate, you **MUST ENROLL** in this plan each year.

A Health Care Flexible Spending Account (HCFSAs) helps you save money on taxes by paying for eligible out-of-pocket medical, dental, or other qualifying expenses for you and your eligible dependents (as defined by the IRS) with pre-tax dollars. You choose the amount of pre-tax money you want to have deducted from your paycheck and it is deposited directly into your HCFSAs.

When you enroll in the HCFSAs, you will receive a debit card, the NCFlex Convenience Card. The card makes it easy to access the funds in your HCFSAs. See page 15 for more information.

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## Can an FSA save you money?

If you're in the 30 percent tax bracket, you need to earn roughly \$142 to pay for \$100 in health care expenses. But with a health FSA, \$100 earned is \$100 that you can use to pay for eligible expenses.

### **New!** Health Care FSA Rollover Feature

Effective for the 2018 plan year, unused Health Care FSA funds, up to \$500, can now be rolled over into the 2019 plan year as long as you have a minimum balance of \$25. The rollover applies to future plan years. You are not required to re-enroll in the next plan year in order to access rollover funds. This rollover feature only applies to the Health Care FSA.

The grace period will remain in place for the 2017 plan year. If you have an account balance in your 2017 account, you have until April 30, 2018, to submit claims for reimbursement of expenses incurred during the plan year and grace period, which ends March 15, 2018.

## Eligible and Ineligible Expenses

Go to [www.ncflex.org](http://www.ncflex.org) for a complete listing of eligible and ineligible expenses. To access the IRS list of expenses, visit [www.irs.gov/publications/p502](http://www.irs.gov/publications/p502).

### Eligible Health Care Expenses\*

You may use your HCFSAs for reimbursement of the following out-of-pocket health care expenses incurred during the plan year:

- Deductible(s) and copayments you have to pay under your health care plan or under your spouse's plan

- The portion of covered expenses you have to pay (called a coinsurance) for any medical or dental bills after you have met your deductible
- Any amounts you are required to pay after reaching your maximum benefit under a medical or dental plan
- Over-the-counter medicines, vitamins, and supplements, **only with a physician's prescription**
- Other allowable expenses including, but not limited to:
  - Dental expenses
  - Hearing aid and its batteries
  - Infertility treatment
  - Insulin and diabetic supplies
  - Mileage (\$0.17 per mile for 2017) to/from medical provider's office for treatment (For up-to-date rates, go to [www.irs.gov](http://www.irs.gov))
  - Orthodontia
  - Prescription drugs
  - Refractive surgery (RK, PRK, LASIK)
  - Smoking cessation programs
  - Medical supplies
  - Tuition at special school or specially trained tutor for disabled
  - Vision expenses (exams, glasses, frames)
  - Weight reduction program (prescribed by doctor to alleviate a diagnosed medical condition or obesity), but plan food is not covered
  - Personal care items such as sunscreen (SPF 15+), bandages, shoe insoles, inserts and cushioning

*\* Some health care expenses may require a letter of medical necessity written by an authorizing physician. There is a standard form available at [www.ncflex.org](http://www.ncflex.org) that your physician can complete. Under the Health Care Reform Act, over-the-counter medications will not be eligible for reimbursement through the HCFSAs unless you have a doctor's prescription for the expense.*

### Ineligible Health Care Expenses

**Medical, dental, and other premiums cannot be reimbursed through the HCFSAs.** In addition, elective cosmetic procedures and similar expenses are not allowable expenses according to the IRS. Common ineligible expenses include:

- Over-the-counter medications, vitamins, and supplements, unless prescribed by a physician
- Cosmetic procedures that are not to correct a congenital deformity or disfigurement due to an accident or disease;
- Dental procedures to whiten your teeth
- Weight loss programs, unless prescribed by a doctor to alleviate a diagnosed medical condition or obesity

**New! Shop for Eligible Expenses Online at the FSA Store — and Save!**

You'll experience convenience and savings when you shop at the FSA Store, a one-stop-shop that offers significant discounts on thousands of pre-approved eligible FSA products. Take advantage of the FSA Store's robust inventory and use your NCFlex Convenience Card when you checkout. Visit [ncflex.padmin.com](http://ncflex.padmin.com) to access the FSA Store today!

## How to Submit Claims

There are several claim submission options:

- 1 From a computer:** Log into your P&A Account at [ncflex.padmin.com](http://ncflex.padmin.com). Go to **Member Tools > Upload Claim > New Claim**.
- 2 From a mobile phone:** Submit a claim directly from your smartphone.\* First, take a picture of your receipt or other documentation. Then, log into your account from your smartphone by going to [ncflex.padmin.com](http://ncflex.padmin.com). Select **Upload**, then select your claim type. Click **Continue**, then select your account and dollar amount. Next, select **Add File** and choose the image of your receipt from your image gallery.  
\* Not all mobile claim upload features are currently available on all mobile devices or with all operating systems. Wireless carrier fees may apply. Requires at least a two-megapixel camera.
- 3 By fax or mail:** Go to [ncflex.padmin.com](http://ncflex.padmin.com) to access the FSA claim form. When submitting a paper claim you must attach an itemized, third-party receipt or the insurance company Explanation of Benefits (EOB) form.  
Fax: (877) 213-8917  
Mail: Attn: NC FSA Plan  
17 Court Street, Suite 500  
Buffalo, NY 14202
- 4 Coming Soon! P&A app:** In 2018, P&A is launching an app that will allow you to check your account balance and easily manage your plan. Stay tuned for more information!

*If your claim is reimbursable by a medical, dental, or vision plan, you will need to file your claim with that plan first.*

## Claim Reimbursements

Claims are processed each day (with the exception of holidays). Your reimbursement will be issued within one business day once your claim is fully processed and adjudicated. When the payment is issued, the reimbursement will be direct deposited into your account within two business days (on average), excluding holidays. If you provide P&A Group your e-mail address, they will automatically notify you when your claim is received and again when it is paid.

Another way you can be reimbursed is to pay for your eligible health care expenses using your NCFlex Convenience Card. See *NCFlex Convenience Card* on page 15 for more information.

Claim reimbursement is based on the date you receive eligible expenses, not the date you pay the invoice or the date you are billed, which must be between January 1, 2018 (or your plan effective date) and December 31, 2018, provided you remain in the plan for all of 2018.

With the HCFSA, you can be reimbursed for your entire claim up to your plan-year election minus any previous claim reimbursements, even if that amount has not yet been deducted from your pay. This is a great advantage because you can take care of your immediate health care needs and then spread out your payments during the year through payroll deductions. **FSA reimbursements are made by direct deposit. If you change banks or switch accounts, please notify your HBR or benefits department to avoid payment delays.**

## Termination of Employment

If you terminate employment or coverage during the plan year, you may submit claims for services incurred before your coverage termination date. **Services incurred after your coverage termination date cannot be reimbursed unless you elect to continue coverage under COBRA.** In accordance with IRS regulation, any unused money in your account is forfeited and remains with the state.

# HCFSA Worksheet

Use this worksheet to calculate the amount you want to contribute to the HCFSA for you and your family members' out-of-pocket expenses for the upcoming plan year. The HCFSA worksheet is also available online by visiting [www.ncflex.org](http://www.ncflex.org).

**Step 1** Based on your records for the past few years, fill in your anticipated eligible expenses.

- If the expense is paid by a health care plan, enter your copayment and any deductible. For members enrolled in the State Health Plan, visit [www.bcbsnc.com](http://www.bcbsnc.com) to view your current and prior year expenses.
- If the expense is not covered by the health care plan, enter the entire cost.

**Step 2** Add up the total annual expenses for yourself and your family (A+B+C=D).

**Step 3** Enter the amount (D) in the Online Enrollment system.

Cost For:	For You	For Your Spouse	For Your Children
Medical plan deductibles	\$ _____	\$ _____	\$ _____
Medical plan copayments	\$ _____	\$ _____	\$ _____
Birth control pills or devices	\$ _____	\$ _____	\$ _____
Prescription drug copayments	\$ _____	\$ _____	\$ _____
Routine physicals/exams	\$ _____	\$ _____	\$ _____
Dental care/orthodontia	\$ _____	\$ _____	\$ _____
Vision care	\$ _____	\$ _____	\$ _____
Hearing care	\$ _____	\$ _____	\$ _____
Health services/supplies	\$ _____	\$ _____	\$ _____
Other eligible expenses	\$ _____	\$ _____	\$ _____
<b>Total Annual Health Care Expenses</b>	(A) \$ _____	+ (B) \$ _____	+ (C) \$ _____
<b>Your Annual Election (A + B + C = D)</b>	<b>D) \$ _____</b>		

(Enter amount D in eEnroll)

### Example of Tax Savings When You Use an FSA

Annual Savings Example	With FSA	Without FSA
Annual Income	\$50,000	\$50,000
Annual Pre-Tax FSA Contribution	- \$2,000	- \$0
Annual Taxable Income	= \$48,000	= \$50,000
Annual Tax Withholdings (approximately 30% of the annual taxable income)	\$14,400	\$15,000
<b>Total Annual Savings</b> (approximately \$300 for every \$1,000 withheld in the FSA per year)	\$600	\$0

## Tax Considerations

The HCFSA is based on current tax laws and gives you the advantage of those laws. Please keep in mind the following tax considerations before participating in the HCFSA:

- Plan participation may affect your future Social Security retirement benefits. This could happen if your taxable pay, after spending account contributions are taken out, is below the Social Security Taxable Wage Base. For most employees, the immediate tax savings is of far greater benefit than the long-term impact on Social Security benefits.
- Participation in the plan will not affect the amount you may contribute to a 401(k), 403(b), or 457 retirement plan.
- You cannot claim the same expenses through the HCFSA and on your tax return. Currently, only health care expenses over 10% of your adjusted gross income are deductible for income tax purposes. But with the HCFSA, you can save taxes immediately on the very first dollar not reimbursed by your health care plan.

**Note: Check the IRS website for the latest information.** You should consult with your tax advisor on these issues and whether someone qualifies as your income tax dependent.