



Flexible Spending Accounts

A benefit that allows you to save money on out-of-pocket health and dependent care expenses

10.06.2015



With the health plan design changes for AFSCME-covered, IE/IUP-covered, and Judicial Branch employees, you may want to look at enrolling or increasing your annual election in the Health Flexible Spending Account during the 2016 enrollment and change period.



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WHAT WE WILL COVER TODAY

- Flexible Spending Accounts (FSA) Program Overview
- Saving Money with Pre-Tax Contributions
- Health Flexible Spending Account
- Dependent Care Flexible Spending Account
- Enrolling in Flexible Spending Accounts
- Retirement / Termination of Employment
- Questions

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ELIGIBILITY TO PARTICIPATE

- Permanent (non-temporary) employee
and
- Work at least 20 hours a week



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FLEXIBLE SPENDING ACCOUNTS

Two Different Flexible Spending Accounts (FSA)

Health Flexible Spending Account

Reimbursed for certain health care expenses incurred by you, your spouse and your dependents

Dependent Care Flexible Spending Account

Reimbursed for dependent care expenses that are necessary so that

- You can work
- Your spouse can work
- Your spouse can go to school full-time

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FSA Program Administrator



ASI

800.659.3035

<http://www.asiflex.com>



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How the program works

- You decide how much to set aside for health and/or dependent care
- Amount is taken from your paycheck before taxes and deposited in your FSA accounts
- You file a claim to ASI for reimbursement of the eligible expenses

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FILING A CLAIM

Submit your claim three ways:

1. Fax: 877-879-9038
2. Online: <http://asiflex.com>
3. Mail: ASIFlex
P.O. Box 6044
Columbia, MO 65205-6044

- Claims are generally processed within one business day
- Reimbursements by check or direct deposit

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Before taxes

- FSA election deducted before
 - Federal
 - State
 - FICA taxes
- Save money by paying less taxes
- Your taxes will decrease
- Your net take-home pay will increase

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FSA TAX SAVINGS EXAMPLE

	Without FSA	With FSA	Savings with FSA
Gross Income	\$45,000	\$45,000	
Expenses run through FSA	\$0	\$2,000	
Taxable Income	\$45,000	\$43,000	
Federal Tax (married with 2 allowances)	-\$3,563	-\$3,238	\$325
Iowa Tax (married with 2 allowances)	-\$1,848	-\$1,723	\$125
FICA	-\$3,442	-\$3,290	\$152
Income after Taxes	\$36,147	\$34,749	
Expenses not run through FSA	\$2,000	\$0	
Spendable Income	\$34,147	\$34,749	\$602

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How FSAs Affect Social Security Benefits

- Because FSA contributions reduce your taxable pay, you save money in FICA taxes, as well as federal, and state income taxes
- However, FSA contributions also lower the earnings that are reported to the Social Security Administration for purposes of calculating your Social Security benefit
- Since your wage base is reduced by the amount you elect to deduct pre-tax, the contribution to Social Security is less and may affect your benefits if you become disabled or retire
- Because the reduction is generally minimal, investing a portion of your tax savings in RIC will offset the possible reduction in benefits


How FSAs Affect IPERS

- Your FSA elections are included in your IPERS calculations





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ASI website – Tax Savings Calculator



Discover What's Eligible

Secure Login/Online Claims Website

ASI COBRA

FSMA Store

SHOP NOW

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[Frequently Asked Questions](#)
[Useful Links](#)
[Account Detail](#)
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Tax Savings Estimator

Tax savings estimator

Estimate the Annual Medical Expenses and Tax Savings for you, your spouse and any tax dependent(s) Please [Contact Us](#) with any questions you might have.

Savings Calculator	
Annual Prescription Costs:	<input type="text" value="500"/>
Annual deductible expense:	<input type="text" value="250"/>
Co-payment expenses for doctor visits:	<input type="text" value="45"/>
Dental Expenses:	<input type="text" value="100"/>
Vision Expenses (glasses, contact lenses, etc.):	<input type="text" value="500"/>
Chiropractic care:	<input type="text" value="15"/>

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ELIGIBILITY FOR HEALTH FSA



- You
- Your spouse
- Your qualified dependents

Not required to be enrolled in the state's health or dental insurance

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ELIGIBLE HEALTH CARE EXPENSES

Generally, eligible expenses include most health care expenses that are not paid through medical or dental insurance plans.



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ELIGIBLE HEALTH CARE EXPENSES


Examples of eligible expenses include:


- alcoholism, drug or substance abuse
- allergy relief
- ambulance service
- artificial insemination
- artificial limb/teeth
- bereavement & grief counseling
- coinsurance
- copays
- contact lenses and solutions
- Christian Science Practitioners fees
- chiropractor's fees
- deductibles
- dental expenses
- dentures (bonding & sealants for dentures)
- eyeglasses
- hearing aids including batteries
- insulin
- LASIK eye surgery
- medical alert bracelet
- midwife services
- nursing services
- orthodontia (braces)
- over-the-counter reading glasses
- oxygen
- prescription drug copays
- smoking cessation items
- psychotherapy & psychoanalysis counseling
- routine physical exams
- transportation expenses related to illness

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FSA ELIGIBLE EXPENSES





[Secure Login/Online Claims Website](#) | [ASI COBRA](#)

[Home](#) | [Programs](#) | [Forms](#) | [Frequently Asked Questions](#) | [Useful Links](#) | [Account Detail](#) | [Contact](#)

Eligible Expenses

Eligible Expenses

We have included information on commonly claimed expenses below. If you are unable to find what you are seeking here or elsewhere on the site, please [Contact Us](#).

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z [Back to top](#)

*Please note, all "potentially eligible expenses" require a **letter of medical necessity** from your health care provider in order to be considered eligible for reimbursement. The letter must include the diagnosis for which you, your spouse or dependent are being treated, along with specific information on how the product or service is intended to alleviate symptoms or improve function. The letter will remain on file one year from the date written.

Condition/Type of Service	Eligible	Potentially Eligible	Not Eligible	Additional Information
Abortion	X			Expenses for operations that are not legal do not qualify.
Acupuncture	X			
Adaptive Equipment		X		Adaptive equipment for a major disability, such as a spinal cord injury, can be reimbursed. Adaptive equipment to assist you with

Quick Links

- > [Eligible Expenses](#)
- > [Forms](#)
- > [Account Balance & Online Claims](#)
- > [Estimate Savings](#)
- > [Contact](#)

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HEALTH FSA EXAMPLE

Dick is the State employee and is married to Jane. He elects \$750 for the Health FSA

Service	
Dick has three visits to his health care provider and is responsible for \$15 copays for each visit (\$15*3)	\$45
Jane has three prescriptions. Two of them are on Tier 2 at \$15 each and one is a Tier 1 at \$5	\$35
Dick has six visits to a Chiropractor and is responsible for \$15 copays for each visit (\$15*6)	\$90
Jane get a new pair of prescription eyeglass	\$300
Dick orders 10 boxes of contact lenses at \$26 per box (10 * \$26)	\$260
Jane has four visits to her health care provider and is responsible for \$15 copays for each visit (\$15*4)	\$60
Total out-of-pocket for medical expenses	\$790

Dick can be reimbursed for \$750 of these routine medical expenses

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ORTHODONTIC EXPENSES



- Orthodontic expenses are reimbursed according to the prorated monthly fee
- ASI can reimburse the initial down payment amount and then must breakdown the remainder of the charges according to the monthly fee assessed

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ORTHODONTIC EXPENSES

Treatment begins July 1, 2016		
Total cost of treatment		\$7,000
Dental insurance payment		-\$1,500
Employee's obligation		\$5,500
Initial down payment (paid in 2016)		-\$1,000
Remaining balance		\$4,500
Expected length of treatment (July 2016 – June 2018)	24 months	
Reimbursable amount per month (\$4,500/24)		\$187.50
Health FSA Reimbursements		
CY 2016	\$1,000 down payment + \$187.50 (6 months)	\$2,125
CY 2017	\$187.50 (12 months)	\$2,250
CY 2018	\$187.50 (6 months)	\$1,125

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CONTRIBUTIONS TO HEALTH FSA

Maximum **\$2,550** annually
(increase of \$50 from 2015)

- \$2,550 limit applies on an individual basis
 - \$2,550 is a plan limit. If you work for two employers that offer a Health FSA, you may elect \$2,550 under each employer's plan
-
- Elections are taken equally over 24 pay periods
 - **Example**
 - Elect \$1,200 for 2016
 - \$50 is taken pretax in 24 pay periods in 2016

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REIMBURSEMENT

- Reimburse for the total Health FSA election
- Regardless of the Health FSA account balance
- **Example**
 - Elect \$1,200 Health FSA for 2016
\$50 pre-tax contribution per 24 pay periods
 - March 2016 – Eligible expenses totaling \$1,000
 - Reimbursed for \$1,000 in March

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CARRYOVER UP TO \$500 IN HEALTH FSA

- Carryover up to \$500 from your 2015 election to your 2016 health FSA
- \$500 is in addition to your 2016 election
- \$500 is in addition to the \$2,550 limit
- No more use it or lose it
- No more grace period

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CARRYOVER UP TO \$500 IN HEALTH FSA

Example

- Jill elected \$1,500 to her 2015 health FSA
- Reimbursed \$1,375 for eligible health care expenses in 2015
- Leaves \$125 in her health FSA
- Jill elected \$1,000 to her 2016 health FSA
- After the 2015 run-out period*, \$125 is added to Jill's 2016 health FSA amount
- Jill's new 2016 health FSA balance will be \$1,125

** 2016 run-out period ends April 15, 2017*

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\$500 HEALTH FSA CARRYOVER

The benefit to you is

- Much less risk of losing unused funds
- Estimating your out-of-pocket expenses is less worrisome
- Reduced pressure to use remaining balances
- Use the money when you want to for needed health care items

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ELIGIBLE DEPENDENT CARE EXPENSES

Generally, eligible expenses are for dependent care that is necessary for you and your spouse to work

Examples

- In-home day care
- Care for a dependent under age 13
- Nursery school
- Preschool
- Adult day care
- Dependent care centers



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CONTRIBUTIONS TO FSA

Dependent Care FSA Contribution

Maximum **\$5,000** annually (single or married and file a joint return)

Maximum **\$2,500** annually (married and file separate returns)

Reimburse up to the available funds in your account

Example

- Elect \$1,200 dependent care FSA for 2016
\$50 pre-tax contribution per 24 pay periods
- March 2016 – Eligible expenses totaling \$500
- Reimbursed only for \$200 (\$50*4 pay periods)

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DEPENDENT TAX CREDIT

The Child and Dependent Care Credit allows you or your spouse to reduce your tax by claiming the Child and Dependent Care Credit on your federal income tax return

- The credit is a percentage of the amount of work-related child and dependent care expenses you paid to a care provider
- The credit can be up to 35 percent of your qualifying expenses, depending upon your income

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DEPENDENT TAX CREDIT

According to ASI ...

Higher percentage tax break through the FSA

- Employees with a combined income over **\$31,000** or
- Spend more than **\$3,000** for care of one person



Consult your tax advisor regarding whether the Child and Dependent Care Credit or the Dependent Care FSA is best for you

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GRACE PERIOD

Time Frame for Incurring Expenses

Claims incurred for 14½ months:

Jan 1, 2016 - March 15, 2017

Claims for eligible FSA expenses incurred during the 2½ months ("Grace Period") are paid from the oldest year's funds first

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GRACE PERIOD EXAMPLE

Example

- \$250 remaining in your 2016 FSA
 - \$1,200 elected to 2017 FSA
 - Eligible expenses of \$500 in Feb 2017
-
- \$250 comes from the 2016 FSA account
 - \$250 comes from the 2017 FSA account

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FSA CLAIM FILING DEADLINE

2015 claims must be submitted by April 15, 2016

After April 15, 2017 - any 2016 Dependent FSA funds remaining will be forfeited

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NEW FSA ELECTIONS EACH YEAR

Remember

- You enroll in the FSA program in IowaBenefits
- You must make a new election each year during the enrollment and change period
- You must make separate elections
 - Health FSA
 - Dependent Care FSA

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DIRECT DEPOSIT YOUR REIMBURSEMENT

You can have your reimbursement direct deposited into your bank account

- You enter your direct deposit information in IowaBenefits
- Need to make a change in your direct deposit information?
Make the change in IowaBenefits (You can't make the change at the ASI website)

Recommendation:

Review your direct deposit information in IowaBenefits every year!

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HEALTH FSA AT TERMINATION OF EMPLOYMENT

- Coverage stops with the last day of the month in which the last deduction is made

Example: Last FSA deduction is Oct 5, the person can incur new claims through Oct 31

- Prepay for the rest of the year with your final paycheck. Complete a form and submit it to your HRA
- Elect to continue coverage on a post-tax basis (rarely used)

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DEPENDENT CARE AT TERMINATION OF EMPLOYMENT

- Coverage stops with the last day of the month in which the last deduction is made

Example: Last FSA deduction is Oct 5, the person can incur new claims through Oct 31

- Can incur new claims if the person is employed elsewhere (gets a new job) or you are actively looking for work

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ADDITIONAL INFORMATION



ASI
1-800-659-3035
<http://www.asiflex.com>

DAS Benefits Web site:

<https://das.iowa.gov/human-resources/employee-and-retiree-benefits/employees/additional-benefits/flexible-spending>



- FSA Plan Document
- Summary Plan Description
- Links to ASI Web Site
- Claim Forms

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