



The Federal Flexible Spending Account Program (FSAFEDS)

Working for America

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT



Message from the President

“Our nation's health care system, like our economy, is also in a time of change. Amazing medical technologies are improving and saving lives. This dramatic progress has brought its own challenge, in the rising costs of medical care and health insurance.”

- George W. Bush



Message from the Director



“Flexible spending accounts provide an excellent way for employees to reduce their costs for health and dependent care and stretch their hard-earned dollars.”

- Kay Coles James

What is a Flexible Spending Account?

★ An FSA . . .

- Is a tax-qualified benefit program
- Enables you to pay for certain eligible health & dependent care expenses that you would normally pay for anyway with ***pre-tax*** dollars
- Is completely voluntary
- Must be elected each year
- Serves as a valuable *cash management tool* – money for eligible expenses is available when you need it
- **Saves YOU money!**



FSA Overview

★ Using An FSA Is Like Getting A Discount On Services

- Money is allotted into your FSA account before taxes
- Funds reimbursed to you are not taxed
- You purchase services with pre-tax funds
- Your discount is equal to 20-40% or more, depending on your individual tax situation



Two Types of FSAs

★ Health Care FSA (HCFSA)

- For qualified medical/health care costs for you, your spouse and your tax dependents, not paid by FEHB or any other insurance

★ Dependent Care FSA (DCFSA)

- For eligible dependent care expenses (childcare, elder care) so you and your spouse can work, look for work, or attend school full-time



Annual Tax Savings Example

	<u>With FSA</u>	<u>Without FSA</u>
Annual Pay	\$50,000	\$50,000
Pre-Tax FSA Contribution	\$2,000	\$0
Taxable Income	\$48,000	\$50,000
Federal Income & Social Security Taxes	\$11,842	\$12,495
Post-tax Dollars Spent on Eligible Expenses	\$0	\$2,000
Spendable Income	\$36,158	\$35,505

TAX SAVINGS WITH AN FSA: \$653



Who Is Eligible?

★ Health Care Flexible Spending Account (HCFSA)

- FEHB-eligible employees (even if not enrolled in FEHB)

★ Dependent Care Flexible Spending Account (DCFSA)

- All Federal employees except intermittent employees expected to work fewer than 180 days.



How an FSA Works

★ Determine your annual contribution

- HCFSA maximum: \$4,000/Plan Year per *individual*
 - \$8,000 for two Federal employees married to each other
- DCFSA maximum: \$5,000/Plan Year per *household**
*including any child care subsidy received
- Minimum of \$250 for either account



How an FSA Works

★ Enroll in one or both FSAs

- Authorize payroll deduction

★ Submit claims to FSAFEDS (SHPS)

- Documentation required: Explanation of Benefits from your health plan or detailed receipt or affidavit

★ Get Reimbursed

- Via Electronic Funds Transfer or check
- New in 2004: Paperless Reimbursement for some participating FEHB plans



Administrative Fees

★ Section 1127 of Public Law 108-136

Agencies that offer FSAFEDS to their employees are required to cover the administrative fees

HCFSA: \$7.50/month (admin fee plus risk reserve fee)

DCFSA: 1.5% of annual allotment

★ Financed by Agency FICA Savings



HCFSA Review

★ Summary of Benefits

- \$4,000 Annual Election Limit
- Expenses incurred by you *and* your dependents are eligible
- Allows tax-free reimbursement of medical costs not covered or reimbursed by FEHB or any other insurance, such as:
 - FEHB deductibles
 - Co-payments
 - Co-insurance
 - Dental & vision services



HCFSA Eligible Expenses

- ★ Many over-the-counter medicines are now eligible expenses
- ★ Other eligible expenses too
- ★ See Eligible Expenses Juke Box at the FSAFEDS web site (www.FSAFEDS.com) for a detailed listing



DCFSA Review

★ Summary of Benefits

- \$5,000 Annual Election Limit
- Covers child or adult dependent care
- Must claim dependent on tax return to be eligible
- Child(ren) must be under 13 years of age
- Maximum household limit is \$5,000, including subsidies or spouse participation in another DCFSA
- Expenses must be necessary to let you and your spouse work, look for work or attend school full-time
- Services cannot be provided by your dependent



DCFSA Eligible Expenses

★ Common *Eligible* Expenses

- Child care at day camp, nursery school or by a private sitter
- Late pickup fees
- Before- and after-school care (but not tuition)
- Care of an incapacitated adult living with you
- A housekeeper who also cares for an eligible dependent



DCFSA Ineligible Expenses

★ Common *Ineligible* Expenses

- Agency fees for finding a care provider
- Education or tuition fees
- Late payment fees
- Overnight camps
- Sports lessons, field trips, clothing
- Transportation to/from the care provider



Forfeiture of Unused FSA Monies

★ “Use-it-or-Lose-it” Rule

- IRS regulations require that money left in FSA accounts be forfeited (Section 125 of IRS Code)
- Plan carefully when making your annual elections for HCFSA and DCFSA
- Recent ruling on Over-the-Counter (OTC) medications minimizes risk of forfeitures



Forfeiture of Unused FSA Monies

★ Where Do Forfeited FSA Monies Go?

- 2003
 - To SHPS, to offset program start-up costs
- 2004 and beyond
 - To Program fund to offset future administrative costs
 - Fund accounted for separately, and belongs to the Program, not SHPS
 - Funds can only be used upon OPM approval



Enrollment Information

★ 2005 Plan Year Open Season

- November 8, 2004 - December 13, 2004
- Web-enabled enrollment at www.FSAFEDS.com (on a secure server)
- Drop-down menus request pertinent agency information to ensure appropriate self-identification by employees
- Ability to elect annual amounts for HCFSA and/or DCFSA
- Online interactive calculator helps determine tax savings & suggested election amounts



Enrollment Information

★ 2005 Plan Year Open Season (cont.)

- Confirm election amounts for each account
- Confirm allotment amount from pay
- Immediate confirmation statement
- After enrolling, participants can view their account information via the **My Account** option at www.FSAFEDS.com



Enrollment Information

★ Participants have a choice of three reimbursement options:

- Electronic Funds Transfer (EFT)
- Paper check mailed to the address supplied during the enrollment process
- Paperless Reimbursement (in some cases)

★ Participants can also choose:

- Accelerated FSA allotments
- Reimbursement and confirmation statements via e-mail



New Employee Enrollment

★ Additional Information:

- Accelerated FSA allotments
- New employees have 60 days to enroll
- Must enroll by October 1 of Plan Year
- After October 1, you cannot enroll for the current Plan Year unless you experience a Qualified Status Change



Absentee (Belated) Enrollment

★ Belated Enrollment

- You missed Open Season for reasons outside your control, and SHPS approves your request for a belated enrollment
- If temporary absence, you may enroll within 30 days of return
- Absentee enrollment form at www.FSAFEDS.com
- Must file by October 1 of Plan Year
- Effective the day after you submit election



Enrollment Changes

★ When You Can Make Changes

- Any time during Open Season
- Qualified Status Change required after Open Season ends
- Must be consistent with your event that prompts change:
 - Increase DCFSA or HCFSA election after birth or adoption of baby
 - Decrease DCFSA election for daycare if spouse stays home with child



Qualified Status Change (QSC)

★ Eligible QSCs as defined by IRS:

- Change in marital status
- Change in number of dependents
- Change in dependent's eligibility:
 - child no longer under age 13
- Change in cost or coverage
 - dependent care fee increase
- Change in employment or residence status



Qualified Status Change (QSC)

★ Important Dates

- Must notify FSAFEDS of change request from 31 days before to 60 days after event
 - QSC form available at www.FSAFEDS.com
 - FSAFEDS will verify QSC
- Change effective first pay date after approval and verification
- QSC for birth or adoption of child is retroactive to date of event



Leave Without Pay (LWOP)

- ★ **LWOP is only a QSC if due to military deployment**
- ★ **LWOP Contribution Options:**
 - Prepay allotments prior to LWOP
 - Accelerate deductions
 - Increase per pay deductions
 - Freeze FSA account
 - No reimbursement until end of Plan Year or return to pay status
 - “Catch-up” after return



Separation from Federal Service

★ FSA Account Availability

- DCFSA & HCFSA terminates at separation
 - Expenses incurred prior to separation are eligible for reimbursement
 - No refund available



Payroll Deduction

★ Payroll Deduction Process

- Employee identifies employing agency at enrollment
- FSAFEDS submits electronic file to agency payroll provider with employee info, allotment amounts
- Payroll provider confirms employee information and allotments
- FSAFEDS must resolve discrepancies prior to making reimbursements



Availability of Funds

★ HCFSA

- *Total* annual election is available when first allotment received by FSAFEDS

★ DCFSA

- Only the amount of *current* account balance is available for claim reimbursement



Reimbursement Process

- ★ **Incur an eligible expense during the Plan Year**
- ★ **Submit claim form**
 - Mail or fax claims to SHPS
 - Paperless Reimbursement eliminates the need to complete paper claims for claims paid by your FEHB plan
- ★ **Submit supporting documentation for claims**



Reimbursement Process

★ Supporting Documentation for HCFSA Claims

- Explanation of Benefits (EOB) from your FEHB plan or other insurance
- Detailed receipt with product name or copy of product label and receipt for over the counter (OTC) medicines and products
- Health care provider receipt of copayment
- Employee signature



Reimbursement Process

★ Supporting Documentation For DCFSA Claims

- Copy of bill or receipt
- Dependent care provider's signature
- Dependent care provider's Tax Identification Number or Social Security Number
- Employee's Signature

★ **All claims must be submitted by April 30 following the end of the plan year**



Paperless Reimbursement

★ FSAFEDS Partners with FEHB Plans

- BCBS, GEHA, Association Benefit Plan, Mail Handlers/First Health and M.D. IPA
 - FEHB plan submits out-of-pocket expenses with medical, dental and/or prescription claims
 - Eliminates the need to prepare and submit manual claims
 - Currently discussing with SAMBA, Humana, NALC, APWU and others!



2005 Marketing Materials

★ Updated Program Communications

- User-friendly FSAFEDS brochure
 - Combining two tri-folds into one
- Summary of Benefits
 - Detailed summary of FSAFEDS Program
- Payroll Stuffers (participating agencies)
- Posters
- New Video
- Satellite Broadcasts (where available)
- Website



2005 Open Season

★ Health Fairs & Presentations

- Make your plans early! FSAFEDS prioritizes requests based on program format, location, size and availability
- Contact Bart Turney (bart.turney@shps.net) to schedule
- Calendar of Events on Benefits Officers page will have up-to-date information regarding events
- Program materials requests can be sent via email to FSAFEDS-HR@shps.net



FSAFEDS Resources

★ Self-Service Resources at www.FSAFEDS.com

- Program overview brochure
- Eligible expense juke box
- User-friendly claim forms
- Quick Reference Guides
- Extensive program FAQs
- “What’s New” for latest updates
- Benefits Officers website



Contact Information

Website: www.FSAFEDS.com

Email:

Questions: FSAFEDS@shps.net

Billing: FSAFEDS-billing@shps.net

Program Materials/

Presentations: FSAFEDS-hr@shps.net



Contact Information

Toll-Free: 1-877-FSAFEDS (372-3337)

Benefits Counselors are available Monday through Friday, from 9:00 a.m. until 9:00 p.m., Eastern Time

TTY: 1-800-952-0450

Mail:

FSAFEDS Program

PO Box 36880

Louisville, KY 40233-6880



Today's Presenters

Laurie Bodenheimer, Senior Program Analyst
(Laurie.Bodenheimer@opm.gov)
U.S. Office of Personnel Management

Jennifer Hirschmann, Senior Program Analyst
(Jennifer.Hirschmann@opm.gov)
U.S. Office of Personnel Management

Matt Presley, Director, Client Services
Matt.Presley@shps.net
SHPS, Inc.

Danielle Higdon, Project Manager
Danielle.Higdon@shps.net
SHPS, Inc.

