FSA FEDS

Save On Health and Dependent Care

The Federal Flexible Spending Account Program
Summary of Benefits

August 2004

United States Office of Personnel Management

Working for America

www.opm.gov

Version 1.0

Table of Contents

Introduction

The FSAFEDS Program is a valuable benefit that allows participating employees to reduce their out-of-pocket expenses and stretch their hard earned dollar for everyday health and dependent care expenses. You reduce your out-of-pocket costs by opening a health and/or a dependent care Flexible Spending Account (FSA). FSAs are tax-favored accounts that employers, including the Federal Government, offer under Section 125 of the Internal Revenue Code. That section allows qualified health and dependent care expenses to be funded with pre-tax dollars via FSAs.

This booklet is the official Summary of Benefits for the FSAFEDS Program, the Program that the Office of Personnel Management (OPM) implemented to provide Federal employees access to FSAs. It is organized in three sections.

The first provides important information about FSAs, in general, and the FSAFEDS Program that applies to all participants – those who elect a health care account (a HCFSA), those who elect a dependent care account (a DCFSA), and those who elect both kinds of accounts. The second section provides information that is specific to health care accounts (HCFSAs) and the third section provides information that is specific to dependent care accounts (DCFSAs).

We hope that you will take the time to learn how you can reduce your health and dependent care costs by 20 to 40 percent, or more, by participating in the FSAFEDS Program.

Flexible Spending Account (FSA)

What is a Flexible Spending Account?

A Flexible Spending Account (FSA) is a tax-favored program offered by employers that allows you to pay for your eligible out-of-pocket health care and dependent care expenses with pre-tax dollars. By using pre-tax dollars to pay for eligible health care and dependent care expenses, an FSA gives you an immediate discount on these expenses that equals the taxes you would otherwise pay on that money.

In other words, with an FSA, you can both reduce your taxes and get more for your money by saving 20% to more than 40% on the dollars you would normally pay for out-of-pocket health care and dependent care expenses with after-tax (as opposed to untaxed) dollars.

FSAFEDS offers two types of FSAs:

- The Health Care Flexible Spending Account (HCFSA) can be used to pay for qualified medical costs and health care expenses that are not paid by your Federal Employees Health Benefits (FEHB) plan or any other insurance, but

cannot be used to pay for any type of insurance premiums, including long term care insurance premiums.
- The Dependent Care Flexible Spending Account (DCFSA) can be used to pay for eligible dependent care expenses such as childcare **for children under age 13 or children who are physically or mentally incapable of self-care** and, in some cases, eldercare, so that you – and your spouse, if you are married – can work, look for work, or attend school full-time.

Your participation in either FSA is completely voluntary, and it's important to remember that unlike other Federal benefits, **your FSA election is only effective for one Plan Year**. In other words, you must enroll in one or both FSAs each year that you choose to participate. If you do not enroll during Open Season, you will not participate in the next Plan Year, unless you experience a Qualified Status Change (QSC) that allows you to make an election outside of Open Season (see page 11 for more information about QSCs). Open Season for FSAFEDS runs concurrently with the FEHB Open Season in November and December each year for enrollment in the following year. The FSAFEDS Plan Year will always run from January 1 through December 31.

FSAFEDS follows Internal Revenue Service (IRS) guidelines to determine eligible expenses and other requirements for participating in an FSA issued under Sections 105, 125, and 129 of the Internal Revenue Code.

How does an FSA work?

First, you calculate your annual election.

When you decide to enroll in FSAFEDS each year during Open Season, you first need to determine how much money you want to elect for your account(s) for the upcoming Plan Year. The *maximum* you can elect for a plan year is $4,000 for your HCFSA and $5,000 (or $2,500 if married, but filing separately) for your DCFSA. The *minimum* annual amount you can elect is $250 for each account. Most people review their current year expenses and take into account changes that will occur in the coming year when making their annual elections. You can also find calculators, tax examples and other resources at www.FSAFEDS.com to help you decide how much to elect for your FSAs.

Second, you actually enroll in the program.

Once you have decided on your annual election, you formally enroll in a HCFSA, a DCFSA, or both, and you specify your annual election(s) — that is, how much money you want to have deducted from your pay and deposited into your account(s) during the upcoming Plan Year. Sykes Health Plan Services, Inc. (SHPS) is the Third Party Administrator that oversees the day-to-day administration of FSAFEDS. You can enroll online during Open Season at www.FSAFEDS.com or by calling a Benefits Counselor at 1-877-FSAFEDS (1-877-372-3337). Note that you do not enroll through your agency, Employee Express or other automated

payroll/personnel system. FSAFEDS phone hours are 9:00 a.m. until 9:00 p.m., Eastern Time, Monday through Friday. FSAFEDS also has a TTY line that is active during phone hours. The TTY number is 1-800-952-0450.

Next, your annual election(s) is deducted from your pay in allotments.

After you make your election for the Plan Year, FSAFEDS directs your employing agency's payroll provider to deduct your annual election(s) in installments, called allotments. The allotments are generally spread evenly over the number of pay dates remaining in the Plan Year unless you specify that you want to accelerate your allotments and have larger deductions made over a shorter period of time, or you have missed one or more allotments due to a period of Leave Without Pay (LWOP), or a processing problem between FSAFEDS and your payroll provider. Even though your enrollment may be effective, you will not be able to be reimbursed until your account has been activated via a successful payroll deduction. On occasion, reimbursements are delayed because of problems in setting up payroll deductions.

You then submit claims for reimbursement of your eligible expenses.

When you incur an eligible health care or dependent care expense, you first pay out-of-pocket and then submit a claim to FSAFEDS for reimbursement. With each claim you must provide appropriate documentation, such as an Explanation of Benefits form (EOB), or detailed receipt(s). Some claims (such as for mileage to and from your doctor or pharmacy) may be verified via your signed affidavit. Dependent care expenses can be confirmed by having your care provider sign the claim form and include their Social Security Number (SSN) or Tax Identification Number (TIN). Claim forms and instructions are available in both Word and PDF format at www.FSAFEDS.com.

> ***Note:*** *FSAFEDS has partnered with a number of FEHB plans to rollover claims directly to FSAFEDS. Please look at Paperless Reimbursement for more information about this feature.*

Finally, you receive reimbursement by check or Electronic Funds Transfer (EFT).

When you submit a claim, FSAFEDS sends you confirmation that your claim has been received. Claims are processed daily, Monday through Friday, in the order they are received. Typically, your "clean" claim will be processed within five business days. A "clean" claim includes the following:

- a completed, signed claim form
- original or detailed copies of Explanations of Benefits or detailed receipts
- physician letter of medical necessity for certain services
- your daycare provider's SSN or TIN

Funds will be transferred to your bank two business days after your claim is processed if you enrolled in EFT, or your payment will be mailed if you elect to receive reimbursement by check.[1]

The chart below helps illustrate a typical claims reimbursement timeline:

Date	Day of Week	Action
4/1	Thursday	John Smith faxes his claim to FSAFEDS, around 6p.m.
4/2	Friday	John receives an E-mail confirming that FSAFEDS has received his claim. John's claim is in queue, waiting to be processed in the order received.
4/3	Saturday	No action; not a business day
4/4	Sunday	No action; not a business day
4/5	Monday	John's claim is in queue, waiting to be processed in the order received.
4/6	Tuesday	John's claim is in queue, waiting to be processed in the order received.
4/7	Wednesday	FSAFEDS processes John's claim. Overnight, FSAFEDS sends a request to its bank to release funds.
4/8	Thursday	FSAFEDS bank wires payment to John's bank via EFT.
4/9	Friday	John's money is available in his account.

How do I know if I am eligible to enroll in FSAFEDS?

If you are an active employee of an Executive Branch agency, or an agency, commission, or other Federal entity that has adopted The Federal Flexible Spending Account Program, you are most likely eligible to enroll for one or both flexible spending accounts. Please go to page 17 to see if you are eligible to enroll in a HCFSA and to page 24 to determine your eligibility for a DCFSA.

Some Federal agencies offer their own FSA program to their employees, so they do not participate in FSAFEDS. These agencies include:

- Administrative Office of the U.S. Courts (The Federal Judiciary)
- Farm Credit Administration
- Farm Credit System Insurance Corporation
- Federal Deposit Insurance Corporation
- Federal Reserve System
- Office of the Controller of the Currency
- Office of Thrift Supervision
- Overseas Private Investment Corporation
- Presidio Trust
- U.S. House of Representatives*
- U.S. Postal Service

**Note: The U.S. House of Representatives will join FSAFEDS for the Plan Year that begins January 1, 2005.*

[1] Your bank may require up to a three-day hold on EFT funds. Check with your individual banking institution for their EFT policy.

How do I enroll in FSAFEDS?

Open Season

Eligible employees can enroll in FSAFEDS for the upcoming Plan Year during the FSAFEDS Open Season that is held each year during November and December at the same time as the FEHB Open Season. Enrollment in an FSA is completely voluntary. You must choose to enroll each year – your participation will not automatically carry-over from year to year.

While the FSAFEDS Open Season coincides with the FEHB Open Season, it is administered very differently. Your employing agency does not play a part in the FSAFEDS enrollment process. You enroll directly with the FSAFEDS administrator, SHPS, either through their web site, www.FSAFEDS.com, or by calling an FSAFEDS Benefits Counselor. To enroll in FSAFEDS via the Internet, go to www.FSAFEDS.com and click on Enroll. If you have questions during the enrollment process, you can call toll-free 1-877-FSAFEDS (372-3337) and speak to an FSAFEDS Benefits Counselor, or through the TTY line at 1-800-952-0450, Monday through Friday, 9:00 a.m. until 9:00 p.m., Eastern Time. Benefits Counselors can also enroll you over the phone if you do not have access to the Internet or you are uncomfortable using it.

After you enroll, FSAFEDS will send you a confirmation statement by E-mail or by mail if you did not provide an E-mail address. You can also print your confirmation statement directly from the web site. You should take the time to review your election(s) and make any changes before Open Season ends. If your election is incorrect (perhaps you entered the wrong amount for your allotment, or you enrolled in a DCFSA when you meant to select a HCFSA), you can correct your election by contacting an FSAFEDS Benefits Counselor at 1-877-FSAFEDS (1-877-372-3337) Monday through Friday, 9:00 a.m. until 9:00 p.m., Eastern Time. TTY line: 1-800-952-0450. Once Open Season ends, you cannot change your enrollment unless you experience a Qualified Status Change.

> ***Note:*** *If you have questions about your enrollment or how to enroll in FSAFEDS, contact FSAFEDS via the web site or by speaking with a Benefits Counselor.* ***Do not*** *contact your employing agency since they do not handle FSAFEDS enrollments.*

Can I pre-enroll if I know I'll be away during the Open Season?

You can pre-enroll if you know in advance that you will be unable to enroll during the Open Season for reasons outside of your control. You will need to complete the Pre-enrollment Form available at www.FSAFEDS.com and return it to FSAFEDS. When Open Season begins, FSAFEDS will execute your enrollment on your behalf and payroll deductions will begin with the first pay date in January.

What if I couldn't enroll during the Open Season?

If you were unable to enroll during the Open Season for reasons outside of your control, you may qualify for a Belated Enrollment. If you wish to make a Belated Enrollment due to extenuating circumstances, you must complete the Absentee Enrollment Form available at www.FSAFEDS.com. If you are unable to enroll because you've left your position temporarily, you must complete this form within 30 days of your return.

How do I enroll in FSAFEDS if I am a new or newly eligible employee?

If you are a new or newly eligible employee* you have 60 days from your entry on duty date to enroll in FSAFEDS, but you must enroll no later than October 1 of any Plan Year. If you are hired on or after October 1 you cannot participate for the current Plan Year. You can elect an FSA for the next Plan Year during the FSAFEDS/FEHB Open Season beginning in November.

If I enroll outside of Open Season, when is my election effective?

If you enroll in FSAFEDS with a Belated Enrollment, as a new/newly eligible employee, your election will be effective the day after you enroll. You may elect the full amount for the HCFSA and DCFSA—there is no proration, however, only expenses incurred on or after your effective date going forward through the end of the plan year are eligible for reimbursement.

Example:

> *Eric Ryan becomes eligible for FEHB on March 1, 2003 and elects to participate in a HCFSA. Eric purchased a three-month supply of contact lenses in January. Eric cannot submit a claim for reimbursement on the contact lenses he purchased in January, but he may submit claims for subsequent contact lens supplies purchased after his March 1 effective date.*

.

If you are a newly eligible employee due to a QSC, your election will be effective on the first pay date after your election is received by FSAFEDS. No enrollments—belated or otherwise—are accepted on or after October 1 of any Plan Year.

Can I change my election after I've enrolled?

You cannot change your election unless you experience a Qualified Status Change (QSC). QSCs are defined by the Internal Revenue Service in Section 125 as events that allow you to change your FSA election. QSCs include a change in marital status, number of dependents and many other situations. Please see Qualified Status Changes for additional information.

---

*Newly eligible employees include temporary employees who have completed one year of continuous service and are now eligible to enroll in FEHB, certain re-employed annuitants, and anyone whose appointment changes such that he or she is now eligible to enroll in the FEHB program.

When is my election or change in election effective?

The following chart summarizes when your election is effective:

If you enrolled	*Your election is effective*	*You may change your election*	*Your enrollment, or enrollment change must be submitted:*
During Open Season	The next January 1	Up until the last day of Open Season	By midnight on the last day of Open Season
Pre-Open Season (submitted a pre-enrollment)	The next January 1	If you experienced a QSC, or the next Open Season, whichever is first	By midnight on the last day of Open Season
Belated	The day after your election is received by FSAFEDS	If you experienced a QSC, or the next Open Season, whichever is first	N/A
As a new/newly eligible employee, within 60 days of becoming eligible	The day after your election is received by FSAFEDS	If you experience another QSC, or the next Open Season, whichever is first	Within 60 days of becoming eligible
As a result of a QSC	Your change will be effected on the first pay date following approval by FSAFEDS. If your change is due to the birth or adoption of your child, the change will be retroactive to the date of your child's birth or adoption.	If you experience a second QSC	Within 60 days of your Qualifying Event

How are deductions from my pay (allotments) determined?

Whenever you enroll in the program (i.e., if you enroll after Open Season, or if you are a new employee or a newly-eligible employee joining FSAFEDS in mid-year), your annual allotment will be divided by the number of pay dates remaining in the Plan Year. For example, if you elect $2,000 and your agency has 26 pay dates in the Plan Year, your allotment would equal $76.92 per pay date. You also have the option to accelerate your allotments.

> ***Note:*** *Allotments are based on pay* ***dates*** *and not pay* ***periods****.*

What is the accelerated allotment option?

An accelerated allotment allows you to determine the number of pay dates your annual election will be divided between. For example, if you choose to contribute $2,000 in ten pay dates, your allotment would equal $200 per pay date. If you do not choose that option, then your allotments will be spread evenly over the number of pay dates remaining in the Plan Year.

Why would I want to accelerate my allotments?

Some reasons for accelerating allotments are as follows:

- For child care expenses, in particular, you may prefer to have your per pay date allotments equal the amount that you pay your provider.

- If you know you are going on a period of Leave Without Pay (LWOP), you may prefer to meet your annual election amount prior to beginning your LWOP.
- If you are a teacher, you may prefer to have your allotments match the months in the Plan Year you are actively teaching.

To obtain more information on this option, or to sign up for accelerated allotments at any time throughout the Plan Year, visit the FSAFEDS web site at www.FSAFEDS.com.

What is the FSAFEDS Plan Year?

The FSAFEDS Plan Year is the 12-month period that begins January 1 and ends on December 31 of any calendar year. However, you can only be reimbursed for eligible expenses you incur from the effective date of your enrollment until the end of the Plan Year on December 31. If you have made a belated enrollment, or are a new or newly eligible employee and elect an FSA, your Plan Year will begin the day after you enroll and continue through December 31. For example, if you enroll on March 1, your Plan Year will be March 2 through December 31. No one can enroll on or after October 1 for any current Plan Year. Eligible expenses must be incurred after your effective date and during the Plan Year to be reimbursed. It's important to note that your account must be activated via the successful execution of a payroll deduction before you can begin to draw from your account. In some cases, reimbursements can be delayed because of problems in setting up payroll deductions.

If you have enrolled, and you notice that allotments are **not** being taken from your pay, please contact an FSAFEDS Benefits Counselor at 1-877-FSAFEDS (372-3337).

What is the "Use-It-or-Lose-It" Rule?

Under current IRS tax rules, you are required forfeit any money for which you did not incur an eligible expense under your FSA account(s). This is known as the "Use-It-or-Lose-It" rule. When you contribute to an FSA, you agree to reduce your salary by a specified amount and your employing agency contributes that amount to an FSA for you. Since you never received that money, you can't be taxed on it. If you were to receive the unused amount at the end of the year, the IRS would consider this "deferred compensation". Section 125 of the IRS Code prohibits deferred compensation, thus the "Use-it-or-Lose-it" rule. Agencies cannot provide waivers for any employee regarding funds that might be forfeited. The "Use It or Lose It" rule is why you should plan carefully, and conservatively, when making your annual FSA election. Also remember that reimbursement for expenses is generally based on when an expense is incurred, not when it is paid.

Important Note: *Any money that you do not use in your account(s) by the end of the Plan Year will not be refunded to you. This is known as the "Use-It-or-Lose-It" rule. You have until April 30 following the end of the Plan Year to file claims for reimbursement for eligible expenses incurred during the previous Plan Year. We encourage you to carefully plan how much money to contribute to your account(s). The FSAFEDS Calculator at www.FSAFEDS.com can help you calculate allotments based on your individual situation, as well as indicate your potential tax savings. Neither OPM, nor your employing agency, has the authority to make and exception to this IRS rule.*

What is a Qualified Status Change?

Qualified Status Changes (QSC) are events that allow you to change your FSA election outside of Open Season. Qualified Status Changes include:

- Change in your legal marital status (i.e., marriage, legal separation, divorce, death of a spouse)
- Change in your number of dependents
- Birth or adoption of a child, or placement for adoption
- Death of a dependent
- Change in your dependent's eligibility (e.g., at age 13 your non-disabled child is no longer eligible for coverage under a DCFSA)
- Change in cost or coverage, for example
    - you've changed your daycare provider, or your current provider changes the amount that he or she charges
    - your child begins attending school full-time, and you only need after-school care, rather than full-time care
    - you've had to change your FEHB plan mid-year, and your new plan has a significant difference in benefits and cost-sharing
- Change in employment status (for employee, spouse, or employee's dependent) that affects your health insurance eligibility
- Change in the number of your tax dependents (e.g., birth of child, parent now resides with you, etc.)

If you, your spouse or dependent(s) experience a QSC, you may change your election(s) in FSAFEDS. The change you request must be consistent with the event that prompted the election change. For example, if you get married, you may want to increase the amount of your HCFSA to cover the additional out-of-pocket medical, dental, and/or prescription drug costs incurred by your spouse. Likewise, if you adopt a baby you may want to increase your HCFSA and/or DCFSA elections to cover the added medical expenses and/or daycare costs you might incur for your new child. On the other hand, you would not be allowed to increase your annual election if you lost a dependent.
If you have experienced a QSC and wish to make a change, you must notify FSAFEDS anytime from 31 days before to 60 days after the date of the event. You

can do this either by downloading a Qualified Status Change Form from www.FSAFEDS.com or by calling an FSAFEDS Benefits Counselor toll-free at 1-877-FSAFEDS (372-3337) Monday through Friday, 9 a.m. until 9 p.m., Eastern Time. Some QSCs may result in a period of LWOP. Please note, a period of LWOP is not a QSC unless due to military deployment. See page 14 for additional information on how a period of LWOP may affect your account(s).

After completing the Qualified Status Change Form, you must mail it to FSAFEDS or fax it to 1-502-267-2233. FSAFEDS will verify that your event is a QSC. After verification, FSAFEDS will process the election change you requested.

Plan ahead! Your election changes are effective with the first pay date following approval of the Qualified Status Change. If you have an upcoming QSC that will change your annual election – upward or downward -- we suggest you submit your request 30 days in advance (making sure to include the actual date of your event!). That will allow us sufficient time to coordinate with your payroll provider to adjust your allotment close to the time of your actual QSC. If your requested change is due to the birth or adoption of a child, the change will be retroactive to the child's date of birth, date of adoption, or placement for adoption, consistent with the requirements of the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

Does participating in FSAFEDS cost me anything?

No. On November 24, 2003, President Bush signed the National Defense Authorization Act into law. Section 1127 of this new law (Public Law 108-136) requires agencies that offer FSAFEDS for its employees to cover the administrative fee(s) on behalf of their employees.

How can I keep track of my account?

You can check your account status, including account balance, last payment, claim information, and manage your account, to name a few, via the Internet or by phone 24-hours-a-day, seven-days-a-week.

- Go to www.FSAFEDS.com and click on My Account and enter your SSN, or the alternative ID you chose during the enrollment process, for secure online access to your account
- Call 1-877-FSAFEDS (372-3337) to use the automated information system
- Call a Benefits Counselor toll-free for personal assistance at 1-877-FSAFEDS (372-3337). Benefits Counselors are available Monday through Friday, 9:00 a.m. until 9:00 p.m., Eastern Time, excluding holidays. TTY line: 1-800-952-0450.

FSAFEDS also keeps you up-to-date on your account via the reimbursement statements that are generated each time you submit a claim. How and when you receive the statement depends on whether:

- your claim was paid in full or not
- FSAFEDS has your valid E-mail address on file
- you have elected to receive your reimbursement via EFT or paper check

Here is a summary of the different ways that a reimbursement statement will be provided to you:

	Claim Paid	Claim Partially Denied	Claim Denied
E-Mail Address on File			
EFT	Reimbursement statement sent by E-mail	Reimbursement statement sent by E-mail AND U.S. Mail	Reimbursement statement sent by E-mail and U.S. Mail
Paper check	Reimbursement statement sent by mail along with the check	Reimbursement statement sent by U.S. Mail along with the check	Reimbursement statement sent by U.S. Mail
No Email Address on File			
EFT	No Reimbursement Statement	Reimbursement Statement mailed	Reimbursement Statement mailed
Paper check	Reimbursement Statement mailed with check	Reimbursement Statement mailed	Reimbursement Statement mailed

If your claim is denied in part or in full, your reimbursement statement will include information on what you need to do to have your claim reconsidered.
Of course, you can review all your account activity at any time by going to the My Account section of the FSAFEDS web site.

Please remember that FSAFEDS has a minimum reimbursement threshold of $25.00. If your claim does not total $25.00, it will be processed and you will receive a reimbursement statement, but your payment will be pended until you submit another claim and reach the $25.00 aggregate amount, or until the end of the quarter, whichever comes first.

In addition, FSAFEDS will send you an account statement (via E-mail, if you have provided your E-mail address) no later than October 31 in the Plan Year, which will give you a current account summary, and in late January following the end of the Plan Year. If you still have a balance in your account in mid-March, we will send you an E-mail reminding you to submit all claims for the prior Plan Year no later than April 30.

What happens if I go on a period of Leave Without Pay (LWOP)?

If you go on a period of Leave Without Pay (LWOP) or other non-pay status during the Plan Year, your agency will not withhold your allotment during the period you are on leave. Options for coverage during a period of LWOP are based on whether your LWOP is related to a QSC.

During your period of LWOP, you will continue coverage that reflects the election you originally made, or any revised election you made in connection with a QSC. Allowable expenses you incur during your leave will be eligible for reimbursement only if your annual election is paid. This can occur in one of two ways:

- *Prepay your election by accelerating your allotments prior to your period of LWOP.* Allowable health care expenses incurred during your leave will be eligible for reimbursement. If you have a DCFSA, dependent care expenses you incur during your leave that meet IRS guidelines for eligible expenses (i.e. you must incur the expenses as a result of you and your spouse, if married, needing to work, look for work, or attend school full-time during the leave) may be reimbursed up to your account balance.
- *Freeze your account.* You will not be eligible for reimbursement of any HCFSA expenses during your period of LWOP until the Plan Year ends, or until you return to pay status and begin making allotments again. If you return to pay status after the Plan Year ends, you can continue to submit eligible health care expenses up to the beginning of your LWOP.

When you return to pay status, your allotments will increase by 20% of the previously scheduled deductions not taken during your period of LWOP. If there are less than five pay dates remaining in the year when you return to duty, your deductions will increase proportionately over the number of pay dates remaining in the Plan Year so that your account is paid in full on the last day of the year.

If your period of LWOP is related to a QSC, you have the additional option of canceling your election for the remainder of the year and reducing your coverage to the amount deposited as of the start of your leave. Expenses you incur during your leave will not be eligible for reimbursement under your FSA.

Example:

Mike Emerson goes on LWOP effective October 1, 2003. He returns to his position on January 15, 2004.

Mike can file claims for reimbursement on HCFSA expenses incurred up to his October 1 leave date, but any expenses incurred from October through his January return date are ineligible for reimbursement, unless he prepaid his allotments.

What happens if I separate before the end of the Plan Year?

The balances in your DCFSA and HCFSA are treated differently if you separate before the end of the Plan Year.

You can continue to use the remaining balance in your DCFSA to pay for eligible dependent care expenses until the end of the Plan Year or until your account balance is depleted, whichever comes first.

Your HCFSA will terminate as of the date of your separation. Any health care expenses incurred before your date of separation are reimbursable, but those incurred after your date of separation are not.

Example:

Terri Lacey separated from Federal service on October 18. She visited her doctor on October 15. Since the doctor visit occurred prior to her separation, Terri can still submit the bill for reimbursement from her HCFSA. Terri needs to return to the doctor for a follow-up visit on October 20. Since these expenses will be incurred after her date of separation, they are not eligible for reimbursement, even if Terri still has money in her HCFSA.

If I separate but return to work for another government agency, will my FSA be reinstated?

Your previous election will be reinstated as long as you return to work for an agency that is covered under FSAFEDS within 60 days and before the end of the same Plan Year. You may not change the amount of your allotment, unless you have experienced a QSC during that time of separation. You must notify FSAFEDS within 60 days of the event. If you return in a subsequent Plan Year, you will have an opportunity to make a new election. It is your responsibility to notify FSAFEDS if you are leaving, transferring, or re-joining a Federal agency that participates in FSAFEDS. Please contact FSAFEDS as soon as possible at 1-877-FSAFEDS (372-3337), Monday through Friday, 9:00 a.m. to 9:00 p.m., Eastern Time, and provide us with this information to ensure a seamless transition.

When does my participation in FSAFEDS end?

Your eligibility to participate in FSAFEDS ends when:

- You decide not to make an FSA election during the Open Season for the upcoming Plan Year. Your participation then stops at the end of the current Plan Year.
- Your employment status changes and you lose your eligibility.
- You separate from the Federal Government.
- You transfer to a Federal agency that is not covered by FSAFEDS.
- The agency you work for stops participating in FSAFEDS.

How do I submit a claim for reimbursement?

There are three ways to submit your claim:

Fax:

For fastest reimbursement and notification of claims receipt, fax your claim to the FSAFEDS 24-Hour Fax line at 1-502-267-2233.

Mail:

FSAFEDS
PO Box 36880
Louisville, KY 40233-6880

Overnight Delivery:

SHPS, Inc.
Attn: FSAFEDS
11405 Bluegrass Parkway
Louisville, KY 40299

Claim Confirmation

When you fax or mail your Health Care or Dependent Care FSA claim to FSAFEDS, you can receive confirmation by E-mail that your claim has been received. To take advantage of this free, convenient service, include your E-mail address during the enrollment process when prompted and/or include your E-mail address on the claim form when submitting your information for reimbursement.

If your claim is received prior to 4:00 p.m. Eastern Time on any given business day, you will receive your confirmation E-mail on the same day we receive your claim. If FSAFEDS receives your claim after 4:00 p.m. Eastern Time, your confirmation E-mail will be sent on the following business day.
Regardless of whether you have submitted claims, you will receive information by October 31 each Plan Year and again in late January after the end of the Plan Year notifying you of how much remains in your FSA, as well as summarizing claims paid to date. If you still have a balance in your account in mid-March, we will send you a final E-mail reminding you that you have until April 30 to submit your claims for the prior Plan Year. Of course, this information is always available to you through the My Account section of the FSAFEDS web site.

Denial of Claims

If you submit an expense for reimbursement that is partially or fully denied, the FSAFEDS reimbursement statement will provide detailed information on why the claim was denied. The statement will include:

- Specific reason(s) for the denial
- Reference to the provision in the Federal Flexible Benefits Plan (FedFlex) on which the denial is based

- A description of additional material or information you can provide to allow the claim to be reimbursed, if possible
- An explanation of FSAFEDS appeals procedure

Please refer to page 13 for information on when and how you will receive reimbursement statements.

How do I appeal a claim that has been denied?

You have the right to appeal the decision to deny a claim for benefits in whole, or in part. You must write to FSAFEDS and request reconsideration. Submit all written appeal requests to:

Fax:

FSAFEDS 24-Hour Fax line
1-502-267-2233

Mail:

FSAFEDS
P.O. Box 36880
Louisville, KY 40233-6880

E-mail:

FSAFEDS@shps.net

If you have any questions, call the FSAFEDS line at 1-877-FSAFEDS (372-3337). Benefits Counselors are available to assist you Monday through Friday, 9:00 a.m. until 9:00 p.m., Eastern Time. TTY line: 1-800-952-0450.

The Health Care Flexible Spending Account

What is a Health Care Flexible Spending Account?

A Health Care FSA (HCFSA) helps you pay for eligible health care expenses that are not paid by FEHB or any other insurance. A HCFSA does not replace an insurance plan, but it can help you get more for your money by using pre-tax dollars to stretch the money you would normally spend out-of-pocket on health care services.

You make an annual election to a HCFSA. That election is taken from your salary in equal allotments before any taxes are calculated. Since your taxable income is reduced, you owe less tax. And, since the money allotted to your HCFSA is taken before taxes that money goes much further. You have 20% – 40% more dollars to pay for eligible health care expenses, depending upon your tax situation and retirement plan. Your employing agency makes no contribution to the program, but your agency will pay all administrative fees associated with FSAFEDS on your

behalf. The maximum amount you can allot to a HCFSA is $4,000 (per individual) for a Plan Year and the minimum is $250.

The Federal workforce includes a number of employees married to each other. If each spouse/employee is eligible for FEHB coverage, both may enroll for a HCFSA up to the maximum of $4,000 each ($8,000 total). Both are covered under each other's HCFSA. A HCFSA cannot be used to pay for health insurance, life insurance, or long-term care insurance premiums, or costs for Temporary Continuation of Coverage (TCC).

With a HCFSA, you have access to the full amount of your annual allotment to your FSA, even before the entire annual allotment has been deducted from your paycheck. Once allotments begin and your account is activated, you can use your full HCFSA to pay for eligible health care expenses from the very first day of the Plan Year.

Examples:

Wendy Schumann elected $3,000 to a HCFSA for the Plan Year. On January 15, Wendy's husband incurred $2,000 in dental expenses. Although Wendy has not yet contributed $2,000 into her health care account (as of January 15), she can still receive a reimbursement for $2,000.

Heidi Meuchner enrolled in a HCFSA and elected $1,000 for the Plan Year. On New Year's Day, Heidi slipped on the ice and fell. She later went to the emergency room where an x-ray revealed a broken wrist, which was set. Heidi's emergency room expenses are eligible for reimbursement under her HCFSA. Since it's so early in the Plan Year, Heidi has not had a single allotment taken from her paycheck. She can submit her expenses, but her reimbursement will be held until the first allotment is taken from her pay, since that is when her election is validated for the Plan Year.

When is a health care expense eligible?

A health care expense is eligible for reimbursement when a covered service is rendered during the Plan Year in which you are enrolled, such as:

- a visit to a health care provider or a provider comes to your home
- a prescription is filled by a pharmacist (not when you pick it up)
- a piece of home medical equipment is delivered to your home

Example:

Sherry Cleaver had a prescription filled for her son's ear infection on December 28, 2003. She submitted her claim for reimbursement with a copy of the prescription on January 4, 2004. Sherry incurred the eligible expense when her child's prescription was filled in 2003, therefore, she will be reimbursed from her 2003 HCFSA.

However, Sherry also had a prescription written for her on December 28 for asthma medication, but did not bring it to the pharmacy until January 5, 2004. FSAFEDS will reimburse Sherry from her 2004 HCFSA.

Orthodontia expenses are handled a little differently. Since there is often little direct relationship between when a person visits the orthodontist and when you pay for orthodontia, any orthodontia expenses paid within a Plan Year are reimbursable regardless of the date of service. Please refer to the Orthodontia QRG for more information.

Examples:

Laurie Healy's son received braces on December 1, 2003. Laurie entered into a payment arrangement to pay the orthodontist's total $3,000 cost in monthly installments of $100, starting January 1, 2004. Her $100 per month payments would be reimbursable in the 2004 Plan Year.

Laura Jefferson also entered into a payment arrangement with her orthodontist. In March, she uses some of her income tax refund to make an additional $500 payment to the orthodontist, in addition to her per month amount. That additional payment may be reimbursed under her HCFSA during the Plan Year.

Another exception is home medical equipment (HME) that is rented rather than purchased. If your FEHB plan or your provider decides that it is more prudent to rent the equipment rather than purchase, you can submit a claim each month for your out-of-pocket expense.

Example:

Tim Donovan has sleep apnea so his physician writes an order for a Continuous Positive Airway Pressure (CPAP) unit to see if that will improve his sleep. The HME vendor delivers and installs the unit in Tim's home. The CPAP device is scheduled to be rented for six months. The HME company submits a claim every month to Tim's FEHB plan. When Tim receives his EOB, he submits that along with a completed FSAFEDS claim form for reimbursement.

How do I know if I am eligible to participate in a HCFSA?

If you are eligible for the Federal Employees Health Benefit (FEHB) Program and are an active employee of the Executive Branch or of an agency that participates in FSAFEDS, you are eligible to participate in a HCFSA with FSAFEDS. You must only be eligible to participate in FEHB — you need not be currently enrolled. There is no *household* limit on the amount of money that you can set aside for a HCFSA, although the FSAFEDS limit per Federal employee is $4,000 - $8,000 for a "Federal couple". If your spouse is not a "Fed", and has access to an FSA, the $8,000 limit would not apply.

Under the IRS Code, annuitants (other than re-employed annuitants) cannot participate in an FSA. An FSA is a way to set aside part of your salary – before taxes – for payment of eligible expenses. An annuity is not considered salary.

What expenses are eligible for reimbursement?

Many of your typical out-of-pocket health care expenses may be reimbursed by a HCFSA. Some common reimbursable expenses not covered by most FEHB plans are listed below. All of these items meet IRS criteria for a covered medical expense. For more complete listings of eligible medical expenses, please refer to Eligible Expenses Juke Box, FSAFEDS OTC Quick Reference Guide, and IRS Publication 502. You may also contact an FSAFEDS Benefits Counselor at 1-877-FSAFEDS (372-3337) Monday through Friday, from 9:00 a.m. until 9:00 p.m., Eastern Time. TTY line: 1-800-952-0450.

- Chiropractic services
- Co-insurance, co-pay amounts and deductibles
- Contact lenses and cleaning solutions
- Dental care and procedures (including crowns, endodontic services, implants, oral surgery, periodontal services and sealants)
- Eye surgery (cataract, LASIK, corneal rings, radial keratotomy, etc.)
- Eyeglasses (including prescription sunglasses and over-the-counter reading glasses)
- Hearing aids and batteries
- Infertility treatments
- Orthodontia
- Over-the-counter medicines and products (including antacids, allergy medicines, cold medicines and pain relievers)

> ***Note:*** *Insurance premiums, including health insurance, life insurance, long-term care insurance and Temporary Continuation of Coverage, are not eligible for reimbursement.*

What expenses are eligible for reimbursement only if medically necessary?

Some expenses are eligible for reimbursement only when a doctor or other licensed health care practitioner certifies that they are medically necessary. Your doctor's certification (note or letter) must indicate your specific medical disorder, the specific treatment needed, and how this treatment will alleviate your medical condition. Examples include:

- Air conditioners, central air, heaters, and humidifiers installed in your home for allergy relief
- Cosmetic surgery following an accident, disease or other surgery
- Home Medical Equipment (e.g., reclining chairs, bed boards, special mattress)
- Hydrotherapy

- Massage therapy
- Water fluoridation units and water pik
- Weight loss program for treatment of a specific disease (e.g., heart disease)
- Wigs for hair loss due to chemotherapy or radiation treatment

FSAFEDS has a sample Certificate of Medical Necessity (CMN) that you and your health care provider can use. A personal letter from your provider will also suffice as long as it includes all the information necessary to determine medical necessity. Please note, you must submit a copy of the CMN or your physician's letter each time you submit a claim for that service or product.

What expenses are NOT eligible for reimbursement?

The following is a list of common medical expenses not eligible for reimbursement. For more complete listings of eligible medical expenses, please refer to Eligible Expenses Juke Box, FSAFEDS OTC Quick Reference Guide, and IRS Publication 502. You may also contact a FSAFEDS Benefits Counselor at 1-877-FSAFEDS (372-3337) Monday through Friday, from
9 a.m. until 9 p.m., Eastern Time. TTY line: 1-800-952-0450.

- Insurance premiums, including those for health insurance, life insurance, long term care insurance, and Temporary Continuation of Coverage.
- Babysitting, occasional childcare or baby-nursing services
- Cosmetic surgery or procedures
- Exercise and fitness programs for general health, including health club membership dues
- Expenses that have been reimbursed elsewhere
- Expenses not incurred during your period of coverage
- Fees paid to a health care provider in advance of services being rendered (this includes health maintenance fees but excludes braces. See page 20 for further information on orthodontia.)
- Personal use items (items ordinarily used for personal, living or family purposes such as household disinfectants)
- Physician charges for services that are not direct medical care, such as monthly fees for guaranteed access and quicker appointments (so-called "boutique practice fees")
- Prepayment for services not yet provided
- Weight loss programs for general health or appearance, including diet foods for weight loss

Is there a limit for a HCFSA contribution?

The maximum annual allotment for the FSAFEDS HCFSA is $4,000 per covered employee, or $8,000 for a "Federal couple", where both spouses are covered under the FSAFEDS program. However there is no household limit for a HCFSA, so you or

your spouse may enroll through FSAFEDS or another plan. Thus, the aggregate HCFSA election for a couple may exceed the $4,000 FSAFEDS maximum.

How do I get reimbursed for my HCFSA claims?

You must file a claim form with FSAFEDS to be reimbursed for an eligible expense. The claim form is available on the FSAFEDS web site at www.FSAFEDS.com.

With your completed claim form, you must submit one of the two items below to document your claim:

- **Explanation of Benefits Statement (EOB)** – This is the statement that you typically receive each time that you, or a health care provider, submit a claim for payment to your health, dental, or vision care plan. The EOB shows the expenses paid by the plan and the amount you must pay. For expenses that are partially covered by your health care plan, your spouse's, or other dependent's, you must attach the EOB.

> ***Note:*** *If your FEHB plan or other insurance has denied your claim in part or in full, and your EOB does not state the specific services that have been rendered, you must either submit the itemized bill from the provider, or indicate the type of service on your claim form*

- **All Other Expenses Not Covered By or Submitted to Insurance** – For expenses that are not covered at all by your, your spouse's or other dependent's health care plans, or that you elect not to submit to your FEHB plan or any other insurance you may have, you must sign an affidavit on the claim form verifying that the expense is not covered and/or has not been reimbursed by FEHB or any other insurance. Reimbursement requests will not be processed without acceptable evidence of your expenses. A cancelled check alone is not acceptable evidence. Acceptable evidence includes detailed receipts, which contain the following information:

    - Type of service or product provided
    - Date expense was incurred
    - Your name or your dependent's name for whom the service/product was provided, except for over-the-counter medications
    - Amount of the expense

It should take no longer than five to seven business days from the time you submit your claim until you receive your funds if you have authorized Electronic Funds Transfer (EFT). If you did not authorize EFT when you enrolled in FSAFEDS, you can do so at anytime by registering for EFT at www.FSAFEDS.com through My Account. With EFT, you will receive your reimbursement more quickly as the money is electronically transferred to your personal account versus having to wait

for a paper check. Another way to receive reimbursement for your HCFSA claim is through Paperless Reimbursement.

What is Paperless Reimbursement?

Starting with the 2004 Plan Year, FSAFEDS is offering Paperless Reimbursement with a number of FEHB plans. This means that when you file claims with your FEHB plan, FSAFEDS will automatically reimburse your eligible out-of-pocket expenses based on the claim information it receives from your plan. You can elect Paperless Reimbursement during enrollment, or at any time during the Plan Year. If you are not the FEHB contract holder, you must provide information about the contract holder, including his or her Social Security Number. There is little or no paperwork involved, and in many cases you will receive your reimbursement before your bill is due. You can enroll in Paperless Reimbursement at any time by visiting www.FSAFEDS.com and logging into your account through My Account.

Paperless Reimbursement does not change your relationship or obligations to your health care provider, speed up the time it takes your provider to submit a claim to your FEHB plan, or the time it takes for your plan to process your claim. You are expected to make payment for your out-of-pocket expenses as requested by your provider. Payment will be made directly from your FSAFEDS account to you via EFT or check, depending upon the reimbursement method you selected. Check www.FSAFEDS.com for a current list of participating FEHB plans. If your plan is not currently listed, you have the opportunity to enter your plan information and we will notify you once your plan begins participating.

> ***Important Note:*** *Under Paperless Reimbursement, for married Federal employees with a self and family FEHB enrollment who have both enrolled in a FSAFEDS HCFSA, claims will first be applied to the FEHB contract holder's FSA account. Once the contract holder's balance has been exhausted, remaining claims will be applied to the spouse's FSA account. For married Federal employees with two self-only enrollments, claims will be applied against the respective contract holders' account only. If this processing and order of precedence does not meet your needs,* ***please do not elect Paperless Reimbursement.***

Are expenses paid with an HCFSA tax deductible?

If you use a HCFSA to pay for eligible health care expenses, you cannot deduct those same expenses on your Federal Income Tax return. However, your entire FSA allotment is pre-tax. If you itemize your medical expenses on your tax return, you can only deduct the amount of your total medical expenses that exceed 7.5% of your Adjusted Gross Income (AGI). By contrast, when you use a HCFSA to pay for medical and health care expenses, you receive a tax deduction without having to meet the 7.5% AGI minimum. The money you allot to an FSA is also exempt

from FICA (Social Security and Medicare) taxes[2], a deduction that is not available on your Federal Income Tax return. If your eligible medical expenses exceed the 7.5% threshold by a significant amount, you might want to consult with a tax professional to determine which option is best for you.

The Dependent Care Flexible Spending Account

What is a Dependent Care Flexible Spending Account?

A Dependent Care Flexible Spending Account (DCFSA) pays for eligible dependent care expenses, such as childcare or eldercare, so that you – and your spouse, if you are married – can work, look for work, or attend school full-time. When you enroll in a DCFSA, you specify that a portion of your salary be set aside before taxes through payroll allotments to pay for qualified dependent care expenses. Because the money you allot to the DCFSA has not been taxed, the FSA stretches the dollars you spend on dependent care by 20%– 40% or more, depending upon your tax situation and retirement coverage. Please remember that "eligible dependent" means anyone you claim on your Federal taxes as a dependent whether young or elderly. However, in accordance with IRS regulations, childcare expenses will not be covered for any child age 13 or older **unless the child is physically or mentally incapable of self-care**.

How do I know if I am eligible to participate in a DCFSA?

If you are an active employee of the Executive Branch or of an agency that participates in FSAFEDS, you are eligible to participate in a DCFSA with FSAFEDS. The only exception are intermittent or "when actually employed" (WAE) employees who are expected to work less than six months in a calendar year.

Under the IRS Code, annuitants (other than re-employed annuitants) cannot participate in a DCFSA. An FSA is a way to set aside pre-tax salary for payment of eligible expenses. An annuity is not considered salary.

To be reimbursed through your DCFSA for child and dependent care expenses, you must meet the following conditions:

- You must have incurred the expenses in order for you and your spouse, if married, to work or look for work, unless your spouse was either a full-time student or was physically or mentally incapable of self-care.
- You cannot have made the care payments to someone you can claim as your dependent on your Federal Income Tax return or to your child who is under age 19.

[2] If you are enrolled in the Civil Service Retirement System (CSRS), your tax savings will be decreased by 6.2%, since you do not contribute to Social Security. Please refer to the FSAFEDS Calculator on the FSAFEDS web site.

- Your filing status must be single, head of household, qualifying widow(er) with a dependent child, married filing jointly, or married filing separately.
- The care must have been provided for one or more qualifying dependents identified on the form you use to claim the credit.
- You and your spouse must maintain a home that you live in with the qualifying child or dependent.

What is a qualifying dependent for a DCFSA?

A qualifying dependent is a person who meets the IRS definition of dependent for income tax purposes. An adult (e.g. parent, grandparent, or adult disabled child) may qualify as your dependent if you are providing more than half of that person's maintenance for the year.

A qualifying dependent for the FSAFEDS DCFSA is:

- Your tax-dependent who is under age 13, or
- Your tax-dependent of any age (including, but not limited to, your parents and parents-in-laws), or your spouse who is mentally or physically incapable of caring for himself or herself.

Your child must have been under age 13 when care was provided and you must be able to claim the child as an exemption on your tax return. (For an exception to this rule, see "Child of Divorced or Separated Parents" in IRS Publication 503, Child and Dependent Care Expenses.) A spouse who is mentally or physically unable to care for himself or herself also qualifies. A dependent of any age (e.g., a parent) who is physically or mentally incapable of self-care also qualifies if he or she can be claimed as an exemption on your tax return (or could have been claimed, except for the fact that he or she had $3,050 or more of gross income).

Is there a limit for a DCFSA contribution?

By law, the maximum amount you may allot for a DCFSA is $5,000 per household ($2,500 if married filing separately). This $5,000 limitation is the maximum pre-tax benefit for all dependent care programs available to you, including programs other than FSAs. Consequently, if you are receiving a childcare subsidy and the combined total of the subsidy and your DCFSA allotment exceeds the $5,000 limit, both you and your employing agency are responsible for tax on the amount that exceeds $5,000. You could also exceed the $5,000 limit if both you and your spouse work for employers offering a FSA and the combined total of the allotments you each elect for a DCFSA goes beyond the applicable limit of $5,000.

Are dependent care expenses paid with a DCFSA tax deductible?

You are not permitted to claim the same daycare expenses on both your taxes and DCFSA, although in certain situations you may be able to take advantage of both the DCFSA and the Child and Dependent Care Tax Credit. If you have two or more qualifying individuals as dependents, the IRS allows you to apply up to $6,000 of dependent care expenses to your taxes. The maximum allowable under a DCFSA is $5,000, so you may apply the $1,000 incremental difference between the DCFSA maximum and the Child and Dependent Care Tax Credit if you have two or more dependents and your expenses exceed $5,000. The chart below helps to illustrate:

MAXIMUM ALLOWABLE DEDUCTON

DCFSA	DCFSA	Federal Tax Credit
One dependent	$5,000	$3,000
Two or more dependents	$5,000	$6,000

Note: *For the Child and Dependent Care Tax Credit, which is different than your DCFSA, you may use up to $3,000 of the expenses paid in a year for one qualifying individual, or $6,000 for two or more qualifying individuals. These dollar limits must be reduced by the amount of any dependent care benefits that you exclude from your income.*

Which is better, a DCFSA or the Dependent Care Tax Credit?

It depends on your particular tax situation. You may apply up to $3,000 of expenses paid in a year for one qualifying individual, or $6,000 for two or more qualifying individuals to your taxes through the Dependent Care Tax Credit. If you have two or more dependents and your household adjusted gross income is less than $43,000, you might find the Federal tax credit to be more beneficial. However, if your household adjusted gross income exceeds $43,000, it is likely the DCFSA will provide greater tax savings. There is a Dependent Care Tax Credit Worksheet available online at www.FSAFEDS.com that can help you determine which option is best for you. If the Federal tax credit is a better option, you will need to file Form 2441 "Child and Dependent Care Expenses" when you file your Federal Income Tax return. The amount of your DCFSA election for the Plan Year will appear in box 10 on your W-2 form.

You may wish to consult a tax professional if you are unsure which option is more beneficial for your individual tax situation.

What expenses are eligible for reimbursement with a DCFSA?

You can use the DCFSA to pay eligible expenses for care of your dependent children under age 13, or for a person of any age whom you claim as a dependent on your Federal Income Tax return and who is mentally or physically incapable of caring for himself or herself. Examples of eligible services include:

- Before and after-school care (other than tuition expenses)
- Care of an incapacitated adult who lives with you at least eight hours a day
- Child care at a day camp, nursery school, or by a private sitter
- Late pick-up fees
- Expenses for a housekeeper whose duties include caring for an eligible dependent
- Summer or holiday day camps

What expenses are NOT eligible for reimbursement by a DCFSA?

Examples of ineligible DCFSA expenses include:

- Education or tuition fees
- Expenses paid in advance
- Expenses for children over age 13
- Late payment fees
- Overnight camps
- Payment for services not yet provided (payment in advance)
- Placement fees for finding a dependent care provider, such as an *au pair*
- Sports lessons, field trips, clothing
- Transportation to and from the dependent care provider

What information do I need from a dependent care provider?

Eligible childcare providers must provide you with their SSN or TIN. The caregiver must declare your payment as taxable income. If it is a childcare center providing care for more than six non-resident children, the provider must comply with state and local regulations.

If your provider does not have a SSN or TIN , you must submit a letter indicating that you have attempted to obtain a SSN or TIN from the provider and were unable to do so, as the provider does not have one or will not provide it to you.

How do I get reimbursed for my DCFSA claims?

You must file a claim form with FSAFEDS to be reimbursed for an eligible dependent care expense. The claim form is available on the FSAFEDS web site at www.FSAFEDS.com.

You must submit a claim each time you request reimbursement for dependent care expenses, even if you regularly pay a dependent care provider the same amount each week. You will be reimbursed up to the current amount in your DCFSA at the time your claim is processed.

> ***IMPORTANT NOTE:*** *Payment in advance of a deposit to hold a spot for placement in camps* ***is*** *a reimbursable expense under a DCFSA. However, payment up-front for services is not eligible for claim reimbursement until the actual service is rendered.*

Examples:

Sherry Cleaver pays a $100 deposit fee in May for summer day camp for her two sons. Sherry can file and expense for $100 in May even though the actual service will not be rendered until July.

Allison Francini enrolls her three sons in a two-week summer camp in February. The camp will run in July. The camp, which is extremely popular, insists that payment be made in full at the time of registration. Since Allison has paid in advance for services, she cannot file for reimbursement until after some or all of the camp has taken place.

When you submit a claim, attach a copy of the bill or signed receipt to the claim form, or have your provider complete the "Dependent Care Affidavit and Reimbursement Request," which is on the claim form. **All claims must include a TIN or SSN for all providers**. If you fail to supply the appropriate documentation, your reimbursement will be delayed or may be forfeited. Be sure to keep a copy of the bill or signed receipt for your records.

If you terminate employment for any reason in mid-year and you still have a balance in your DCFSA, you may continue to submit claims for reimbursement for eligible expenses you incur after your termination date but before the end of the Plan Year, up to the amount of your balance.

When is my account available to me, and how do I know how much is available?

Like HCFSAs, a DCFSA must be activated via a successful payroll deduction before any funds are available. However, unlike a HCFSA, the current balance in your DCFSA account on the day your claim is processed is the maximum you can be reimbursed. If your bill for daycare exceeds what you have in your account, FSAFEDS will process your claim and reimburse you the amount in your account on the day of processing. Any eligible claim amount that exceeds the balance in your DCFSA at the time your claim is processed is pended until your next allotment is received at FSAFEDS. As soon as your next allotment is received, the remaining amount will automatically be released to you, assuming your next allotment of funds is sufficient to cover the balance of your original claim amount.

***Example**:*

Jenn Nelson's bi-weekly DCFSA allotment is $400 and she pays her daycare provider $500 every two weeks. At the time she submits her claim, Jenn has $400 in her account. FSAFEDS will process the claim and reimburse Jenn $400. When her next allotment is received, FSAFEDS will release the additional $100 to Jenn, without her having to complete an additional claim form.

The above example also illustrates why many individuals with dependent care accounts choose to have their allotments accelerated in order to match their scheduled childcare expenses. See page 9 for more information on Accelerated Allotments.

> ***IMPORTANT NOTE:** Daycare expenses cannot be reimbursed until services are actually provided. In other words, pre-paid daycare expenses, or expenses paid in advance, are not eligible for reimbursement under a DCFSA. Refer to the Dependent Care Flexible Spending Account section on page 24 for more information.*

If you elected Electronic Funds Transfer (EFT) when you enrolled, you will receive your money more quickly, since the money is electronically transferred to your personal account versus having to wait for a paper check. If you did not authorize EFT when you enrolled in FSAFEDS, you can do so at anytime by going online at www.FSAFEDS.com and clicking on My Account, or by completing the EFT Form and faxing to FSAFEDS at 1-502-267-2233.

If you are a new or newly eligible employee enrolling mid-year, you may still elect the full amounts for both HCFSA and DCFSA. There is no proration. Your allotment will be divided by the number of pay dates remaining in the Plan Year. If you choose to accelerate your allotment during the Plan Year, your allotment will be divided by the number pay dates you choose. See page 9 for more information on Accelerated Allotments.

You may not transfer funds from one account to the other (e.g. from your HCFSA to your DCFSA or vice-versa) to cover unanticipated expenses, even if you have a balance in one of the accounts. Spouses may not transfer funds between each other's accounts.

Conclusion

We hope this document helped you learn more about the FSAFEDS program and how FSAs can help you stretch your hard-earned dollars further. If you did not find an answer to your question here, or if you have comments or suggestions regarding this document, please email us at FSAFEDS@shps.net or FSA@opm.gov.