



You can draw upon your FSA for reimbursement as you incur eligible expenses – it's there when you need it.

SHPS' Role in Administering the Federal FSA Program

SHPS, one of the nation's largest FSA administrators, will assume full responsibility for the day-to-day administration of the HCFSA and DCFSA programs. This includes, but is not limited to:

- Communications regarding FSAs and how they work, including communications for the Initial and Open Season enrollment periods. SHPS maintains a dedicated Web site at www.fsafeds.com for Federal employees to access general program information, enroll, and manage their accounts online.

The FSAFEDS Web site at www.fsafeds.com is always available for access to information at your convenience.

Note: SHPS utilizes encryption technology to protect the privacy of account information.

- Managing the enrollment process, whether you choose to enroll via the Web or call toll-free to a SHPS customer service representative at 1-877-FSAFEDS (1-877-372-3337).
- Answering questions during and after the Initial and Open Season periods. SHPS maintains toll-free customer service between 9:00 AM and 9:00 PM Eastern Time, Monday through Friday, at 1-877-FSAFEDS (1-877-372-3337). An automated telephone service is also available for you to check account balances and the status of your last claim.

Where to Get More Information

SHPS should be your first source of contact. SHPS offers a number of resources that will help you learn more about the Federal FSA program and keep you informed on the latest developments. And whether you choose to go online, or want to speak to a customer service representative, just contact SHPS at any one of the resources below:

Web

Visit the FSAFEDS Web site at www.fsafeds.com



Phone

Call toll-free at 1-877-FSAFEDS (1-877-372-3337)



Mail

Write to: FSAFEDS Program
P.O. Box 36880
Louisville, Kentucky 40233-6880



Disclaimer: This brochure provides a general overview of the Federal FSA Program. Please refer to the FSAFEDS Web site at www.fsafeds.com for specifics regarding the plan.

OPM and SHPS

PARTNERS FOR FLEXIBLE SPENDING ACCOUNTS



SHPS FSAFEDS ADMINISTRATION
P.O. BOX 36880 / LOUISVILLE, KENTUCKY 40233-6880
877.372.3337 / www.fsafeds.com

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Introducing the Federal Flexible Spending Account Program for 2003



OPM and SHPS Partner to Bring Choice to Federal Employees

"Used wisely, flexible spending accounts are effective financial management tools that can stretch the disposable incomes of account holders and ensure that funds are available, when needed, to pay for out-of-pocket medical expenses or the dependent care costs of a child or parent. I am confident that federal employees will benefit from participation in the FSA program and they can be sure that their accounts are being professionally managed by a company experienced with participant reimbursement accounts."

Kay Coles James

Director, US Office of Personnel Management

Highlights of the FSA Program

What is a Flexible Spending Account?

A Flexible Spending Account is an employee benefit that allows you to set aside money, on a pre-tax basis, for certain kinds of common expenses. With an FSA, you can reduce your taxes while paying for services you'd have to pay for anyway.

The Federal FSA Program offers:

- *The Health Care Flexible Spending Account (HCFSA)* - for health care expenses not paid by FEHB or any other insurance.
- *The Dependent Care Flexible Spending Account (DCFSA)* - for dependent care expenses that allow you (and your spouse, if married) to work or look for work, or that allow your spouse to attend school full-time.

How does an FSA work?

First, you'll need to determine how much money to allot on an annual basis and make your election(s) with SHPS. For the HCFSA, you can set aside up to \$3,000, and for the DCFSA, you can contribute up to \$5,000 for the Plan Year. SHPS has a number of educational FSA resources, including decision support tools to assist you in deciding how much to contribute.

Second, SHPS requests your payroll office to deduct equal installments of the annual allotment you elect. SHPS then receives your elected amount for deposit into your appropriate account(s).

Third, when you incur an eligible expense, you'll pay for it out of pocket, and then submit a claim for reimbursement to SHPS. All claims must be accompanied by the appropriate documentation, such as an itemized receipt or an explanation of benefits.

Finally, SHPS processes claims and issues reimbursement, often within a few working days. You have the option for direct deposit of reimbursement funds into a checking or savings account through Electronic Funds Transfer (EFT).

The Federal FSA Program, also known as FSAFEDS, lets you set aside tax-free money to pay for out-of-pocket health and dependent care expenses.

How can an FSA help eligible Federal employees save on taxes?

An FSA lets you set money aside for eligible expenses before your agency payroll deducts taxes from your paycheck. This means the amount of income that your taxes are based on will be lower, so your tax liability will also be lower. Here's an example:

ANNUAL SAVINGS EXAMPLE*	WITH REIMBURSEMENT ACCOUNT	WITHOUT REIMBURSEMENT ACCOUNT
Annual pay	\$28,000	\$28,000
Pre-tax contribution to reimbursement account	(\$ 1,500)	0
Taxable income	\$26,500	\$28,000
Federal income and Social Security taxes	(\$ 9,447)	(\$ 9,982)
After-tax dollars spent on eligible expenses	0	(\$ 1,500)
Spendable income	\$17,053	\$16,518
Tax savings with the reimbursement account	\$ 535*	

* This example is intended to demonstrate a typical tax savings based on 28% federal and 7.65% FICA taxes. Actual savings will vary based on your individual tax situation. Please consult a tax professional for more information on tax implications of an FSA.

What expenses are covered?

Health Care FSA – eligible expenses for you, your spouse, and anyone you claim as a dependent on your federal income tax return.

Dependent Care FSA – eligible expenses that allow you and your spouse to work, look for work, or attend school full-time. Eligible dependents include:

- Dependent children under age 13 and/or
- 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.

Eligible expenses are defined by OPM based on IRS regulations for FSA programs.