

**Enroll NOW and get ready to save!**

To take advantage of great savings on the health care and dependent care items and services you will most certainly purchase in 2005, visit the FSAFEDS web site or call FSAFEDS toll-free to speak with a dedicated Benefits Counselor.

**FSAFEDS Open Season begins November 8, 2004  
and ends December 13, 2004**

Not only can you enroll at [www.FSAFEDS.com](http://www.FSAFEDS.com), but you can obtain the latest information on program updates, Internal Revenue Service rulings, and claim forms.

**WEB:**

[www.FSAFEDS.com](http://www.FSAFEDS.com)

**TELEPHONE:**

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

Monday through Friday  
9:00 A.M. to 9:00 P.M., Eastern Time

**TTY:**

1-800-952-0450 toll-free

**FAX:**

1-866-643-2245 toll-free  
or 1-859-825-0165

**EMAIL:**

[FSAFEDS@SHPS.NET](mailto:FSAFEDS@SHPS.NET)

**MAIL:**

FSAFEDS Program  
P.O. Box 14649  
Lexington, Kentucky 40512

The Office of Personnel Management selected SHPS, Inc. as the Third Party Administrator for the day-to-day administration of FSAFEDS. SHPS is one of the largest and most experienced benefits administration companies in the country.

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P.O. Box 14649  
Lexington, Kentucky 40512**

*The information presented in this brochure is not all-inclusive, nor a guarantee of eligibility or payment. Eligibility will be determined by the applicable provisions of the plan, based on Internal Revenue Service regulations for FSA programs.*

**We saved by  
enrolling in FSAFEDS –  
You can, too!**

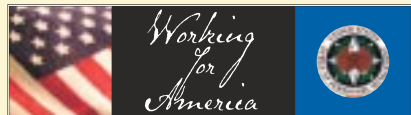


**The Federal  
Flexible Spending Account  
Program**



*The Smart Way to Save  
on Health and Dependent Care*

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT



*“Flexible spending accounts provide an excellent way for employees to reduce their costs for health and dependent care and stretch their hard earned dollars. So I am particularly pleased to announce that Federal employees will now be able to do exactly that, by enrolling in the FSAFEDS Program for 2005.”*

*– Kay Coles James, Director  
U.S. Office of Personnel Management*



## Save 20-40% or more on your everyday health and dependent care expenses.

**FSAFEDS offers pre-tax savings on your common out-of-pocket expenses.**

Do you make frequent trips to the drug store for cold and allergy medicines? Do you or your dependents wear glasses or contacts? Do you go to the dentist at least annually? As a parent, do you rely on daycare services that allow you to work? If so, then the FSAFEDS Program is just what you need.

FSAFEDS is a Flexible Spending Account (FSA) program for Federal employees that will save you money on health and dependent care expenses by allowing you to set aside pre-tax funds to pay for a wide range of common out-of-pocket expenses. By paying with pre-tax dollars, you reduce your taxes, resulting in a 20% to more than 40% savings on the items and care you need. And not just larger, hospital or extended care related expenses – FSAFEDS can be used for routine expenses like aspirin and eye drops, too!

Plus, you can draw upon your FSAFEDS account for reimbursement as you incur eligible expenses. So, the program is always there when you need it.

FSAFEDS offers two kinds of flexible spending accounts:

### **The Health Care Flexible Spending Account (HCFSA)**

You can use a HCFSA to pay for health care expenses not covered by the Federal Employees Health Benefits Program or any other insurance. An HCFSA covers eligible health care expenses\* including over-the-counter medications for you, your spouse, and your dependents. You may elect up to **\$4,000 annually**.



### **The Dependent Care Flexible Spending Account (DCFSA)**

You can use a DCFSA to pay for dependent care expenses that allow you and your spouse, if you're married, to work, look for work, or attend school full-time. You may elect up to **\$5,000 annually**.

That \$5,000 limit is a total combined amount for the household, including any child care subsidy amounts, in accordance with Internal Revenue Service regulations.

A DCFSA covers eligible expenses\* for the care of:

- Dependent children under age 13
- A person of any age you claim as a dependent on your Federal Income Tax return, and who is mentally or physically incapable of self-care

*\* For more information, refer to the Eligible Expenses section found in this brochure, go to [www.FSAFEDS.com](http://www.FSAFEDS.com) or contact a Benefits Counselor at 1-877-FSAFEDS (1-877-372-3337). Eligible expenses for FSA programs are defined by Internal Revenue Code Sections 105, 125, and 129.*

### **It's easy to enroll in FSAFEDS!**

Employees of participating Federal agencies who are eligible for FEHB may enroll in the FSAFEDS Health Care FSA. Except for intermittent employees who are expected to work fewer than six months, all employees of participating Federal agencies may enroll in a Dependent Care FSA, even if they are not eligible for FEHB.

### **Save yourself money on everyday health care needs through FSAFEDS!**

You can use a HCFSA for your own non-reimbursed health care expenses as well as those for anyone you claim as a dependent on your Federal Income Tax return.

Here are some health care expenses that are not typically paid by insurance or any other source that are eligible under your HCFSA. (for a complete list, please visit [www.FSAFEDS.com](http://www.FSAFEDS.com)):

- Co-payments, co-insurance and deductibles (but not premiums, including long-term care insurance premiums)
- Acupuncture
- Artificial reproductive technologies
- Childbirth classes
- Chiropractic care
- Dental care (including crowns, endodontic services, implants, oral surgery, periodontal services, sealants)
- Diabetic supplies
- Expenses that exceed medical, dental or vision plan limits (including dollar or visit maximums or amounts that exceed plan allowances, such as out-of-network providers)
- Hearing aids (including batteries)
- Home medical equipment (e.g., crutches, wheelchairs, canes, oxygen, respirators, etc.)

- Laser eye surgery
- Treatment of learning disabilities (including speech therapy and remedial reading)\*
- Mattresses and bed boards\*
- Medical supplies
- Occupational therapy
- Orthodontia
- Orthotics
- Over-the-counter medicines (not including vitamins and dietary supplements)
- Physical therapy
- Prescription drugs
- Preventive care screenings
- Prosthetics\*
- Psychiatric services and care
- Smoking cessation programs (including over-the-counter treatments)
- Specialized equipment or services for disabled persons (e.g., automobile modifications; Braille books and magazines; guide, companion or service animals; home alert systems for visual/hearing impaired persons; note-takers or ASL interpreters; tape recorders and typewriters for the visually impaired; etc.)\*
- Transportation expenses related to medical care
- Vision care, eyeglasses (including prescription sunglasses) and contact lenses
- Water fluoridation\*
- Well-baby and well-child care
- Whirlpool baths\*
- Wigs (for hair loss due to a disease)\*

\* These expenses require a letter of necessity from your health care provider in order to be considered eligible for reimbursement. The letter must include the diagnosis or symptoms for which you or your dependent are being treated, along with specific information on how the product or service will alleviate symptoms or improve function. A copy of this letter must be submitted with every claim.

Some ineligible expenses include:

- Cosmetic procedures (unless required to restore appearance or function due to disease or illness)
- Expenses you claim on your income tax return
- Expenses reimbursed by other sources, such as insurance plans
- Fitness programs (unless medically necessary)
- Hair transplants
- Illegal treatments, operations, or drugs
- Insurance premiums, including COBRA, Tricare and long-term care
- Prescription drug discount program fees
- Weight loss programs for general well-being



## **FSAFEDS gives you the power to save on dependent care costs, too.**

The DCFSA is designed for reimbursement of dependent care expenses that allow you and your spouse, if you're married, to work, look for work, or attend school full-time.

You can use your DCFSA to pay eligible expenses for the care of your dependent children (under age 13) or any person you claim as a dependent on your Federal Income Tax return that is mentally or physically incapable of self-care.

### *Here are some typical examples of eligible dependent care services:*

- Child care (at a daycare center, day camp, nursery school or by a private sitter)
- Late pick-up fees (from a caregiver)
- Before and after-school care (must be billed separate from tuition expenses)
- Adult daycare expenses
- Expenses for a housekeeper whose duties include caring for an eligible dependent

*Eligible dependent care services cannot be provided by a person you claim as a dependent. On your claim form, you will need to submit the Social Security Number or Tax Identification Number of the person or facility that provides the care.*

### *Some ineligible expenses include:*

- Education and tuition fees
- Late payment fees
- Overnight camps
- Employment agency fees for finding a dependent care provider
- Sports lessons, field trips, clothing
- Transportation to and from the dependent care provider



## Using FSAFEDS is quick and easy.

You can start saving money through FSAFEDS by following these four simple steps.

**1. Calculate Your Contribution** First, calculate how much money you'd like to set aside for the coming year. Use the interactive calculator at [www.FSAFEDS.com](http://www.FSAFEDS.com) to figure your annual allotment and estimate your tax savings. You can allot up to \$4,000 to an HCFA and up to \$5,000 to a DCFA. Both accounts have a minimum allotment of \$250 annually. Please be sure to calculate your expenses carefully. **Please note – All contributions not utilized during the Plan Year will be forfeited.**

**2. Enroll** During the FSAFEDS Open Season, after you decide how much to allot to your FSA, go to [www.FSAFEDS.com](http://www.FSAFEDS.com) and follow the simple online enrollment process. After you complete the enrollment process, you will receive an enrollment confirmation by email. Or, you can enroll by calling 1-877-FSAFEDS (1-877-372-3337). You can also call the FSAFEDS TTY line at 1-800-952-0450.

**3. Make a Purchase and Submit your Claim** When you incur an eligible expense during the 2005 Plan Year, you pay for it out-of-pocket. Download a claim form at [www.FSAFEDS.com](http://www.FSAFEDS.com), fill it out and fax or mail it in. All claims must be accompanied by appropriate documentation, such as an itemized receipt or Explanation of Benefits. If your FEHB plan participates, you may also sign up for Paperless Reimbursement where your FEHB plan sends a file to FSAFEDS to process your out-of-pocket expenses. Visit [www.FSAFEDS.com](http://www.FSAFEDS.com) for more information about Paperless Reimbursement.

**4. Get Reimbursed Fast** FSAFEDS processes claims on a daily basis in the order they are received. If you elect to receive payment by direct deposit into your bank account via Electronic Funds Transfer (EFT), you will typically be reimbursed within five to seven working days of filing your claim. You can sign up for direct deposit online at any time at [www.FSAFEDS.com](http://www.FSAFEDS.com).

## Two simple ways to monitor your FSAFEDS account:

### Online

FSAFEDS.com is always open. It gives you immediate access to your personal account, online customer service, claim forms, an interactive calculator and much more. FSAFEDS.com uses encryption technology to protect the privacy of your personal information. Just log on to [www.FSAFEDS.com](http://www.FSAFEDS.com) and click on "My Account" for your password protected access.



### Phone

Program and account information is available by calling 1-877-FSAFEDS (1-877-372-3337). Benefits Counselors are available Monday through Friday, 9:00 A.M. to 9:00 P.M., Eastern Time to answer your questions. You can also call the FSAFEDS TTY line at 1-800-952-0450.

## FSAFEDS equals Federal tax savings.

An FSA provides a mechanism for you to set money aside for eligible health and dependent expenses before taxes are deducted from your paycheck. This means you pay less tax on your annual income and the savings translate into a significant discount on what you pay for common out-of-pocket expenses. Here's an example:

Annual Savings Example*	CSRS		FERS	
	FSA	No FSA	FSA	No FSA
Annual pay	\$50,000	\$50,000	\$50,000	\$50,000
Pre-tax FSA contribution	(2,000)	0	(2,000)	0
Taxable income	48,000	50,000	48,000	50,000
Federal Income and Social Security Taxes	(8,866)	(9,395)	(11,842)	(12,495)
After-tax dollars spent on eligible expenses	0	(2,000)	0	(2,000)
Available after tax income	39,134	38,605	36,158	35,506
<b>Discount with an FSA:</b>	<b>-\$29* or 26%</b>		<b>-\$653* or 33%</b>	

\* This example illustrates tax savings based on 25% Federal and 7.65% FICA taxes. This results in a 32.65% discount on eligible expenses paid through an FSA. Actual savings will vary based on your individual tax situation, and on whether you are covered under Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS). You may wish to consult a tax professional for more information on the tax implications of an FSA.

## Learn how much you can save with FSAFEDS right now!

Complete this brief worksheet to see just how much you can save by enrolling in FSAFEDS.

1. Find your Federal Income Tax rate, based on your expected 2005 income:

Tax Rate	Single or Head of Household	Married, joint return
15%	\$9,700 to 30,800	\$22,300 to 64,750
25%	\$30,801 to 68,500	\$64,751 to 118,050
28%	\$68,501 to 148,700	\$118,051 to 185,550

2. Enter your total Federal tax rate: #1 plus 1.45% for CSRS or 7.65% for FERS: \_\_\_\_\_% This percentage is the discount you will receive by using an FSA for eligible health care and dependent care expenses, before state or local income taxes are deducted.

3. Enter your planned FSA contribution for 2005: \$ \_\_\_\_\_

4. Multiply #3 by #2. This is the amount an FSA can save you in 2005 on eligible expenses. \$ \_\_\_\_\_