

Understanding Flexible Spending Accounts

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An Introduction to Flexible Spending Accounts

A Flexible Spending Account (FSA) is a simple and convenient way for you to make the most out of your paychecks. When you enroll in an FSA you can pay for health care and dependent care expenses and save money at the same time.

Here's How It Works:

You set aside a predetermined amount to be deducted from your paycheck, which is then deposited into your FSA(s). The amount that you designate is deposited before federal and state income tax withholding or Social Security is deducted.

This means the funds that you set aside to pay for your health care or dependent care expenses are tax-free ... saving you money. At the end of the year, your W-2 form will indicate your taxable income as your regular gross salary minus your FSA contributions.

Tax Savings Example	
Here is an example of how you can reduce your taxes and increase your take-home pay by enrolling in an FSA	
You Deposit	\$1,000 in your FSA
You Save	\$200 in federal income taxes*
You Save	\$76 in FICA taxes**
YOU TAKE HOME	\$276 in yearly savings
<small>* Assumes federal income tax rate of 20%. ** Includes Social Security tax rate of 6.2% and Medicare tax rate of 1.45%.</small>	

Two Ways To Save:

There are two types of FSAs:

- (1) Health Care
- (2) Dependent Care

They differ in the types of expenses they cover and how they provide reimbursement.



Health Care FSAs

Health Care FSAs are used to reimburse health care expenses, including any insurance deductibles, as well as medical and prescription copayments that are not covered by your medical plan. Some examples of eligible medical expenses include the following:

- > Deductibles and copayments incurred under the medical plan
- > Vision and Dental care expenses

Dependent Care FSAs

Dependent Care Accounts are used to reimburse expenses associated with the care of a dependent child or adult while you continue working or searching for work.

Child care costs are eligible for reimbursement if a child is younger than 13 and you claim the child as a dependent on your federal income tax return. Costs of care for an adult dependent, including a spouse or a parent, qualify if the adult is physically or mentally disabled.

Eligible Expenses

You can use your Health Care and Dependent Care FSAs to pay for a wide variety of services as determined by the IRS. The list of common expenses below outline what is and isn't eligible for reimbursement through an FSA. Be sure to keep an itemized after you make a purchase or pay your provider in case you are asked for documentation to substantiate the claim later.

Eligible Health Care FSA Expenses

Medical Treatments/Procedures

- Acupuncture
- Alcoholism (inpatient treatment)
- Exercise/fitness programs*
- Hearing exams
- Hospital services
- Infertility treatment
- In vitro fertilization
- Norplant insertion/removal
- Physical exam (not employment related)
- Reconstructive surgery (in certain cases)
- Roling
- Speech therapy
- Sterilization
- Transplants (including organs)
- Treatment for substance/drug abuse
- Vaccination/immunizations
- Vasectomy and vasectomy reversal
- Weight loss programs*
- Well-baby care

Medical Equipment Supplies & Services

- Abdominal/back support
- Ambulance services
- Arches/orthopedic shoes
- Contraceptives*
- Crutches
- Guide dog (for visually/hearing impaired)
- Hearing devices and batteries
- Hospital bed
- Learning disability support
- Medic alert bracelet or necklace
- Menstrual
- Oxygen equipment
- Prosthesis
- Splints/casts or support hose**
- Syringes
- Transportation expenses (for medical care)
- Tuition fee at special school
- Weight loss drugs (to treat specific disease)
- Wheelchair
- Wigs (hair loss due to disease)

Practitioner

- Allergist
- Chiropractor
- Dermatologist
- Osteopath
- Physician
- Psychiatrist
- Psychologist

Medication

- Insulin
- Prescribed birth control and vitamins
- Prescription drugs
- Over-the-counter medications

Obstetric Services

- Lamaze classes
- Midwife expenses
- OB/GYN exams
- OB/GYN prepaid maternity fees***
- Prenatal and postnatal treatments

Vision Services

- Artificial eyes
- Contact lenses
- Eye exams
- Eyeglasses
- Laser eye surgeries
- Prescription sunglasses
- Radial keratotomy/lasik
- Reading glasses

Dental Services

- Dental x-rays
- Dentures
- Exam/teeth cleaning
- Extractions
- Fillings
- Gum treatment
- Oral surgery
- Orthodontia/braces
- Physical exam

Eligible Dependent Care FSA Expenses

Adult Care

- Adult day care center
- Dependent or elder care (while you work, to enable you to work or look for work)
- Senior day care

Child Care

- After school program
- Au pair
- Babysitting (work-related, in your home or someone else's)
- Day Camp
- Nanny
- Nursery school
- Preschool

General Care

- Payment Processing Fees
- Payroll taxes related to eligible care
- Registration fees
- Transportation to and from eligible care (provided by your care provider)

Health Care Expenses NOT Covered

- × Cosmetic surgery/procedures
- × Diaper service
- × Hair loss medication/transplants
- × Health club
- × Insurance premiums
- × Long-term care premiums
- × Marriage counseling
- × Maternity clothes
- × Vitamins/nutritional supplements

Dependent Care Expenses NOT Covered

- × Activity fees
- × Day nursing care
- × Educational, learning or study skills services
- × Field trips
- × Household services
- × Kindergarten tuition
- × Nursing home care
- × Sleep-away camp

myFlexDollars Makes Managing Your FSA Easy!

In addition to enjoying pre-tax savings and the convenience of the prepaid benefits card, FSA enrollees are granted access to online resources that allow for easy, anytime access to their account. A few of the features available through myFlexDollars are outlined below.



File a claim online

When you need to file an FSA claim, you can do so online rather than faxing a claim form and expense receipts (also an option). Once you enter your expense information, you can then upload your expense receipts.



View “real-time” information

myFlexDollars allows you to view current information about your account, including balances, claims history and payment history. You can also check the status of a claim and find out when a scheduled reimbursement will be paid.



Mobile App access

The myFlexDollars mobile app provides you with on-the-go access to account information. Use the app to check your balance, file a health care claim, submit expense receipts (using your mobile device’s camera), and sign up for text messages that alert you to new account activity.



Sign up for direct deposit

If you wish to have your non-card FSA reimbursements directly deposited into a bank account of your choosing, you can sign up for direct deposit through myFlexDollars.



Ready to Get Started?

You can enroll online at [PhilaSDflexbenefits.com](https://www.PhilaSDflexbenefits.com) during open enrollment or after you experience a Qualifying Life Event. Once you enroll for the first time, you will receive a Consumer Guide with further instructions on how to use your account in the mail. Your benefits cards will also be mailed to your home within a month of enrollment.