Health Care Flexible Spending Accounts (FSA)

A tax-free way to plan, save and pay for health care expenses

What's Inside

- A quick guide to health care FSAs
- See how one family saves
- Your FSA worksheet
- A list of FSA-eligible expenses

OptumHealth
Financial Services℠

It's easy to save on out-of-pocket health care expenses with a tax-free FSA

You can save hundreds, even thousands of dollars a year with a health care flexible spending account (FSA) from OptumHealth Financial Services. Our FSA allows you to use pre-tax dollars to pay for eligible health care expenses. And when you save pre-tax dollars in your FSA, you'll also lower your overall taxable income.

See the Gonzales' save $475 a year with their FSA

Meet Matt and Jennifer Gonzales, a married couple with an annual gross income of $45,000. They file income taxes jointly. Matt is 37, Jennifer is 36, and they have an 11-year-old daughter named Emma. Matt and Jennifer estimated their family's eligible out-of-pocket health care expenses for the coming year, which is the first step to saving money with an FSA.

Here are the eligible out-of-pocket health care expenses they estimated

EXPENSE	Amount
Medical deductibles	$300
Eye exams	$200
Eyeglasses/contacts	$300
Prescription medications	$200
Dental expenses	$180
Orthodontia	$645
Over-the-counter drugs	$75
	$1,900

Here's what they saved with a tax-free health care FSA

EXPENSE	With an FSA	Without an FSA
Income	$45,000	$45,000
Health care expenses paid through an FSA	$1,900	$0
Taxable income	$43,100	$45,000
25% estimated taxes: federal, Social Security, Medicare (FICA) and state (if applicable)	$10,775	$11,250
After-tax income	$32,325	$33,750
Health care expenses paid after tax	$0	$1,900
Income after taxes and health care expenses	**$32,325**	**$31,850**

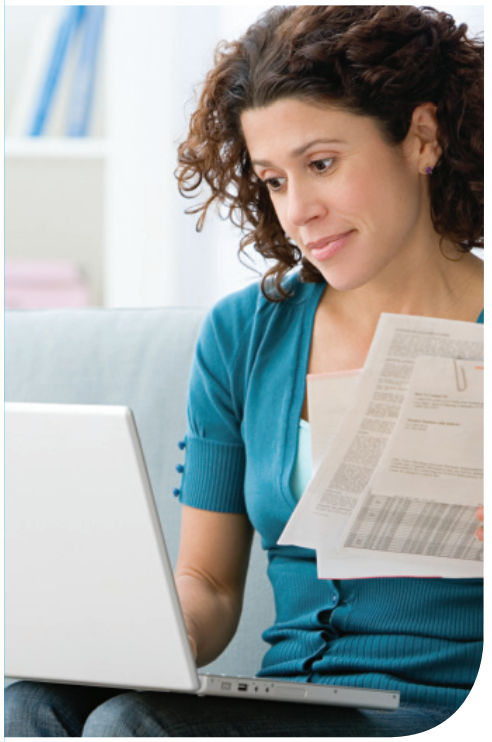
Total estimated savings for plan year – $475

In this example, an FSA saves the Gonzales family hundreds of dollars a year. By making pre-tax contributions to their FSA, they are not required to pay federal, Social Security, Medicare (FICA) and state (if applicable) taxes on that portion of their income.

Health care FSA benefits at a glance

- Every dollar you contribute to a health care FSA decreases your taxable income by the same amount.
- You can use FSA funds to pay for planned and unplanned eligible health care expenses. You don't need to earmark funds for a specific purpose.
- Depending on your plan, you may be able to pay for alternative health care options such as smoking cessation or a medically prescribed weight loss program.

Our MasterCard® Prepaid Debit Card makes paying for eligible health care expenses fast and easy



The OptumHealth FSA MasterCard debit card helps you quickly and conveniently access funds in your FSA. You don't need to pay for expenses out of pocket or submit claims manually for reimbursement. Transactions are approved in real time at the point of purchase, such as:

- Pharmacy prescriptions
- Office co-payments
- Eligible over-the-counter health care items
- Deductibles, coinsurance

Eligible health care expenses are usually identified on sales receipts

Most major retail pharmacies, supermarkets, wholesale clubs and discount stores automatically identify eligible FSA health care expenses on their sales receipts. This makes it easy to identify items that are eligible for reimbursement. You can choose to submit these receipts, along with a claim for reimbursement. Or, use your MasterCard debit card to pay for eligible items, and then pay for the remaining balance with another credit or debit card, check or cash.

Prefer not to use the MasterCard debit card attached to your health care FSA?

You can pay for eligible health care expenses with a personal credit card or check. To request reimbursement, complete and submit a claim form, along with appropriate documentation, online or via fax, email or mail. Once we process your request, a reimbursement check for the appropriate amount will be mailed to you or the amount will be transferred from your health care FSA and deposited directly into the checking or savings account that you have specified.

Here, eligible health care-related expenses are identified by an "H" to the right of the expense. Eligible expenses are identified in different ways, depending on the retailer.

Online access 24/7

As an FSA participant, you can access current information about your account online. You can view your claims, your payments and your account balance. You'll also find a list of commonly asked questions about FSAs, instructions for filling out claim forms, and a description of the documentation required.

Examples of health care expenses you can pay for with an FSA

Acupuncture
Alcoholism, treatment
Ambulance
Annual physical examinations
Anesthesiologist fees
Artificial limbs and teeth

Birth control pills
Braille books and magazines

Child birth preparation classes
Chiropractor
Condoms
Contact lenses
Co-pays, office visits or Rx prescription
Crutches

Deductible, for medical and/or dental
Dental treatment, x-rays, fillings, braces, etc.
Drug addiction, in-patient's treatment

Eye exams
Eyeglasses

Fees to doctors, pediatrician, neurologist, obstetrician, etc.

Guide dog, visually impaired or hearing impaired person

Hearing aids, and batteries for hearing aids
Hospital services
Home modifications, to accommodate handicapped person

Laboratory fees
Lead-based paint removal
Learning disability, tuition fees you pay to a special school for a child who has severe learning disabilities

Medicines, prescribed medicines and drugs

Nursing home, the cost of medical care provided
Nursing services

Office co-pays
Operations, legal operations; must be medically necessary
Orthopedic shoes, excess cost over normal shoes
Optometrist
Over-the-counter medication (e.g. aspirin, antacids, pain relievers, cold medications, allergy medicine, etc.)
Ovulation kit

Prescription glasses
Pregnancy test kit
Psychiatric care
Psychoanalysis

Smoking cessation programs
Sterilization, legal

Telephone, for the hearing impaired
Therapy, received as a medical treatment
Transplants, medical expenses of a donor or perspective donor
Transportation, expenses for essential medical care

Vaccinations
Vasectomy
Vision correction surgery

Weight-loss program, if prescribed by a physician
Wheelchair

X-ray treatments
X-rays

For more examples of reimbursable and non-reimbursable health care expenses refer to IRS Publication 502, available at www.irs.gov

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This communication is not intended as legal or tax advice. Contact a competent legal or tax professional for personal advice on eligibility, restrictions and tax-related filings and issues. Federal and state regulations are subject to change. While FSAs were created by the federal government, states can choose to follow the federal tax treatment guidelines or establish their own. Some states have chosen to tax FSA contributions. Consult a tax professional or contact your State Department of Revenue for more information.

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Top five FSA questions

1. If I don't use all the money I put in my FSA each year, will I lose it?
Yes, you will, but generally speaking, few people leave money behind in their accounts, and even when they do, they usually still come out ahead because of the tax savings. However, we suggest you start with a conservative annual contribution.

2. Can I change my annual contribution amount during the year?
Under IRS regulations, you cannot change your FSA contribution until the next annual enrollment period except if a special situation, called a "change in status," arises. A qualified "change in status," such as marriage, divorce or the birth of a child, is recognized by the IRS as an important change in life situation that may require a corresdponding change in your regular contribution.

3. Do I have to file claims to get my own money out of the FSA?
No. Your FSA comes with a MasterCard® prepaid debit card so you can quickly and conveniently use funds in your FSA to pay for eligible health care expenses. Not only that, most major retail, pharmacies, supermarkets, wholesale clubs and discount stores can identify for you at the cash register what items are eligible for FSA reimbursement, so you can simply pay for them at the point-of-sale. There are no forms to fill out and no waiting for a reimbursement check.

4. Where can I find a comprehensive list of eligible health care expenses?
Simply visit the IRS Publication 502 on the Internal Revenue Service Web site at ***irs.gov*** to see a complete listing. A partial list can be found on the back of this brochure.

5. I'm healthy, why would I want an FSA?
At first glance, you may not think that you typically have significant out-of-pocket health care expenses. However, when you take into account all of your expenses, you may be surprised at how quickly they add up. A $25 co-payment here, a new pair of eyeglasses there, and the occasional over-the-counter medication purchase can soon total hundreds of dollars for an individual and thousands for a family.

How a health care FSA works

If you are eligible to enroll in your employer's benefit program, you can participate in the health care FSA, even if you opt not to participate in your employer's health care plan.

1. Enroll in your employer's health care FSA during your annual benefits enrollment period.
2. Tell your employer how much you want to set aside for the upcoming benefits plan year to pay for eligible out-of-pocket health care expenses. Your employer will then have a regular amount deducted from each paycheck – before federal, Social Security, Medicare (FICA) and state (if applicable) taxes are taken out.
3. These funds are held in a spending account until you spend them or request reimbursement for an eligible out-of-pocket health care expense.

To take advantage of the health care flexible spending account offered by your employer, contact your benefits representative.

The FSA worksheet

This is a great way to estimate your eligible out-of-pocket health care expenses that aren't typically covered by your health care plan – but can be paid for tax-free from an FSA. ***See the back cover for a list of eligible expenses.***

Medical and dental plan deductibles	$
Co-insurance	$
Over-the-counter drugs	$
Office visits co-payments	$
Prescription drugs	$
Physicals and routine examinations	$
Orthodontia	$
Vision care, eyeglasses, contacts	$
Hearing aids	$
Chiropractic care	$
Other expenses	
	$
	$
	$
	$
	Total expected out-of-pocket health care expenses for the plan year

When determining your annual contribution to your health care FSA, always factor in:

- The type of services you may need during the year
- The pre-tax contributions needed to meet these costs

Be sure to create a list of planned expenses, such as orthodontic service, non-cosmetic surgeries, new contact lenses or eyeglasses, etc. to help you determine how much to set aside.

Contribution changes

Under IRS regulations, you cannot change your FSA contribution until the next annual enrollment period except if a special situation, called a "change in status," arises. A qualified "change in status," such as marriage, divorce or the birth of a child, is recognized by the IRS as an important change in life situation that may require a corresponding change in your regular contribution. Your benefits representative can provide you with a list of permitted "change in status" events.