



# BASIC Flexible Spending Accounts





# BASIC Flexible Spending Accounts

- A Section 125 Flexible Spending Account is:
  - Sometimes called a
    - Medical Spending Account
    - Cafeteria or Flex Plan
  - You save **MONEY** by paying less **TAXES**



# Save Tax Dollars On:

- Child & Dependent Care (in order to work)
- Prescription and health plan co-payments, deductibles and coinsurance
- Medical and dental expenses
- Orthodontics
- Mail-order or online prescription invoices
- Vision services and eyeglasses
- LASIK surgery

\*If allowed by your benefit plan and incurred during your plan-year



# How to Save Taxes

- Every dollar you put in your Flex plan, reduces your W-2 wages.
  - Taxes are based on W-2 wages, therefore you avoid all taxes on these dollars.
    - + All federal taxes
    - + All state taxes (*and local taxes if applicable*)
    - + Social Security and Medicare Taxes
- = You save 25-40% of your Flex Dollars**



# Tax Savings - Example

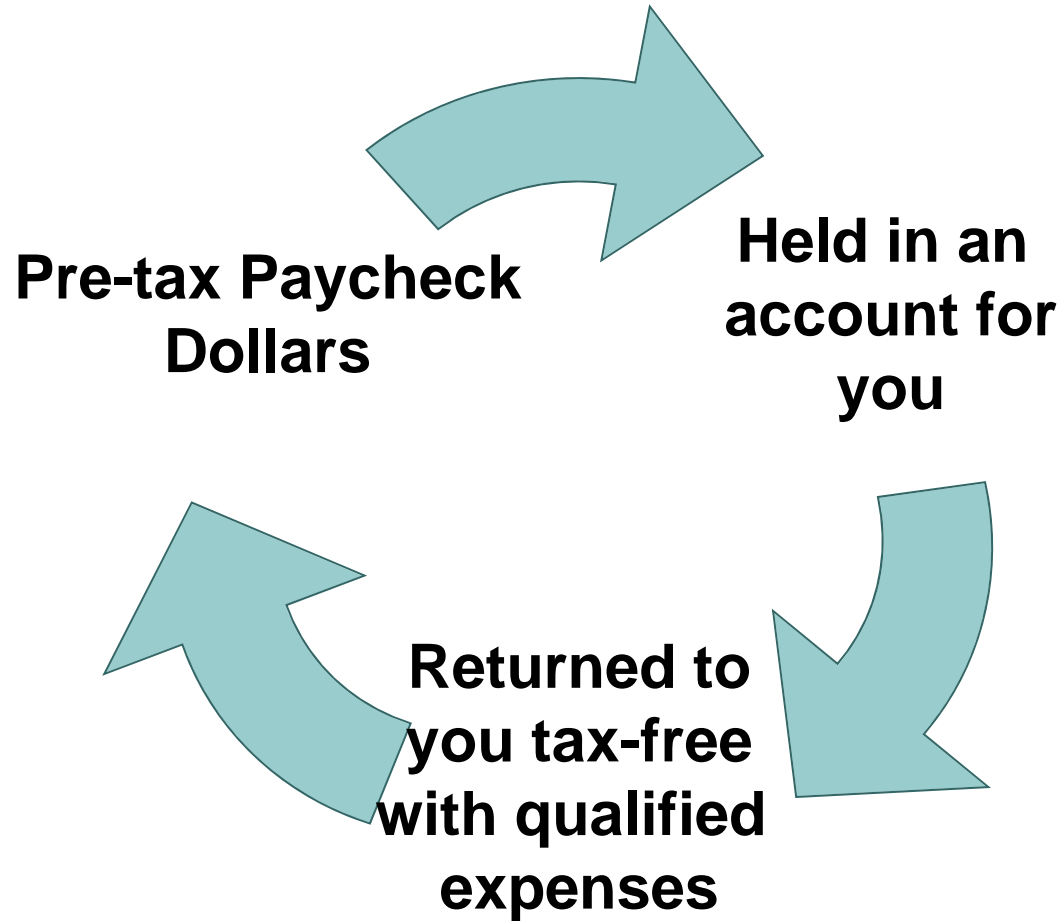
The average family of four in the U.S. can expect to pay around **\$3,005** on expenses like office visits, prescription co-payments, dental work, new glasses – or an unexpected hospital stay.

Out-of-Pocket Expenses	Annual Average	Taxes Saved (27% Tax Bracket)
Physician	\$940	\$254
Inpatient Hospital	\$870	\$235
Pharmacy	\$660	\$178
Outpatient Hospital	\$430	\$116
Other	\$105	\$28
<b>Total</b>	<b>\$3,005</b>	<b>\$811</b>

If that **\$3,005** were put into an FSA before taxes, the family could save over **\$811!**



# How Does It Work?





# Less Taxes & Cash Flow

**The full amount of your election is available to you from the 1st day.\***

If you have a \$15 payroll deduction for medical reimbursement, you will be reimbursed for a \$300 dental service incurred during plan's 1<sup>st</sup> week.

- Your paycheck will not be garnished for \$300.
- At the end of the plan year your reimbursements will equal your payroll deduction – **NO TAXES.**

\*Dependent care works different, it is pay as you go.



# Estimating

- Estimate your Out of Pocket Medical Expenses
  - Medical, dental, vision, etc.
- Estimate your Child and Dependent Care weekly expenses
- Use the worksheet included with your enrollment materials
- Estimate Carefully
- Any money left in your account is lost
- Only **1 in every 500** participants lose money in a Flex Plan
- In this rare event, the average is only \$8.00





# The Rules Say

- You can sign up for BASIC Flex only once per year
- You must participate for the entire year
- You can change your elections only in the event of a qualified status change
  - Marriage, divorce, birth, adoption, loss of dependent status, death
  - Change in eligibility of you or spouse



# Getting Reimbursed

## Two Methods to Get Your Money

- The BASIC Flex Debit Card
  - Used at the point of service
  - An immediate payment deducted from your Flex account and forwarded to the service provider
- Check sent directly to you
  - Pay the provider, submit a claim and get a tax-free payment sent directly to you



# Flex Debit Cards

1. You will be issued a Flex Debit Card.
2. This Card comes loaded with the dollar amount of your Flexible Spending Election. (Medical Reimbursement and Dependent Care).
3. It will only work at health care provider businesses
  - Doctors, dentists, eye care, labs, chiropractors, hospitals and pharmacies who are IAS certified.





# Using the BASIC Flex Debit Card

1. When you receive a service or purchase a product, simply present the Flex Debit Card and the provider will be paid with the money being deducted from your individual Flex Account.
2. Keep the receipt.
3. If BASIC needs to see a copy of the receipt, we will contact you.



## What About Paperwork?

1. If your purchase is a fixed co-pay, doctor's visit co-pay or prescription co-pay, no paperwork is necessary.
2. If your purchase is not a fixed co-pay, BASIC may need to contact you to send in your receipt for verification of approved expenses.



# Verify Debit Card Purchases

- If documentation is needed BASIC will email or send you a letter with the date and amount of service.
- Three such attempts are made for verification (2<sup>nd</sup> day, 12<sup>th</sup> day and 28<sup>th</sup> day after purchase).

# Verify Debit Card Purchases

- If after 30 days BASIC does not receive the requested documentation, your card will be temporarily inactivated until the documentation is turned in or the amount is paid back to plan.
  - Without the verification of variable expenses, we must assume it was **not** a qualified purchase.

## What About Mail Order Rx?

- For mail order prescriptions, simply write the Flex Debit Card number on the order form.
- The reason there isn't any paperwork for this circumstance is because it was a fixed co-pay amount at an IIAS Certified Provider.





# Is The Flex Debit Card Necessary?

You are not required to use the Flex Debit Card. You can also use another form of payment and then submit a claim form to get a check mailed to your home.

# Getting a Check

- If you pay cash to a provider and need to get reimbursed, please use the “reimbursement form.”
  - This form can be obtained online or through your HR Dept.
- Complete and submit by secure claim upload, fax or mail to BASIC for a check reimbursement.



# Getting Reimbursed

- No minimums for reimbursement
- Some participants save receipts all year and get one large check/direct deposit at year-end
- You can access your account online (refer to your Confirmation Letter)
- Feel free to call BASIC to speak with a customer service representative during business hours 9-5 pm EST



# Over-The-Counter Items

- Effective January 1, 2011, a prescription or letter of medical necessity will be required for OTC medicines to be reimbursed through an FSA, HRA or HSA.
- OTC items such as insulin, contact lens solution, bandages and durable medical equipment will continue to be covered without a prescription.
- OTC Q & A:  
<http://www.irs.gov/irs/article/0,,id=227301,00.html>

# Receipt Tips

- Receipts Must Show:
  - Date of service (not payment date)
  - Type and nature of service
  - Who provided the service
  - Cost of service
- Explanation of Benefits (EOB) are good documentation for reimbursement.
- We cannot accept canceled checks, credit card receipts or balance forward/balance due invoices.

# Receipt Tips

- Remember to sign the reimbursement form
- Make sure documentation is legible
  - Avoid faxing light receipts
- If there is a problem with the receipts, BASIC will send you a letter asking you to fix it and re-submit the claim
- For mileage, keep a running log of trips to your health care provider and details: who, when, why and odometer readings. You can submit this at the end of the year if needed



## Helpful Links to Find IIAS Vendors

- IIAS Merchant list: [http://www.sig-is.org/imwp/idms/popups/pop\\_download.asp?contentID=12418](http://www.sig-is.org/imwp/idms/popups/pop_download.asp?contentID=12418)
- 90% Rule Merchant List: <http://www.sig-is.org/imwp/web3/forms/sigis/Reports.aspx?ReportName=DBAList&ReportFormat=PDF>
- SIGIS site: <http://www.sig-is.org/en/index.asp>



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# If You Have Questions

Contact BASIC at

**Toll-free: 800 444-1922 ext 1**

**Email: [basic@basiconline.com](mailto:basic@basiconline.com)**

Or

Contact your HR department