

Flexible Spending
Accounts
2010
Reference Guide

Pennsylvania State System of Higher Education



Enrollment at a Glance

What's New

- Fringe Benefits Management Company (FBMC) is pleased to be the new Flexible Spending Account (FSA) administrator for PASSHE. For more information about FBMC or your FSA, please visit www.myFBMC.com or call Customer Care at 1-866-836-9945, Monday - Friday, 7 a.m. - 10 p.m. EST.
- FSA participants automatically receive the **myFBMC CardSM**, a convenient way to pay for your eligible medical expenses. Simply swipe it at your pharmacy or health care provider and the funds are deducted from your Medical Reimbursement Account. See page 5 for more information.
- In addition to utilizing the myFBMC CardSM, there are other ways to receive reimbursement for qualifying expenses. FBMC offers online FSA claims submission through www.myFBMC.com. This process allows FSA participants the opportunity to submit, via the Web, a scanned image of a completed claim form along with scans of supporting documentation. However, if you prefer, you can still submit paper claims via fax or mail.

Important Enrollment Information and Deadlines

- Complete and return your Enrollment Form to your Benefit Office by November 13, 2009, to enroll in either the Medical or Dependent Care Reimbursement Accounts.
- For more information, visit the FBMC Web site at www.myFBMC.com, or contact Customer Care at 1-866-836-9945, Monday - Friday, 7 a.m. - 10 p.m. EST.

Make your benefits work for you – it's easy!

Before you sign up for an FSA, review this reference guide to understand how FSAs can save you and your family a significant amount of tax money. For more information, refer to the Flexible Spending Accounts section beginning on the next page.

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Important Dates to Remember

Your Open Enrollment dates are:

**November 2, 2009, through
November 13, 2009.**

Your Period of Coverage dates are:

**January 1, 2010, through
December 31, 2010.**

Flexible Spending Accounts

A Flexible Spending Account (FSA) is an account you set up to pre-fund your anticipated, eligible medical services, medical supplies and dependent care expenses that are normally not covered by your insurance. You can choose from two accounts: Medical Reimbursement FSA and Dependent Care Reimbursement FSA.

Not only are your Medical Reimbursement FSA funds available to you in one lump sum at the beginning of your plan year, but your FSA funds are deducted before federal and state taxes are calculated on your paycheck. Dependent Care Reimbursement FSA funds are only available as they are deducted from your paycheck.

With either FSA, you benefit from having less **taxable** income in each of your paychecks, which means more **spendable** income to use toward your eligible medical and dependent care expenses.

Once you decide how much to contribute to your Medical Reimbursement and/or Dependent Care Reimbursement FSA, the amount is deducted in small, equal amounts from your paychecks during the plan year.

FSA Savings Example*	
<i>(With FSA)</i>	<i>(Without FSA)</i>
\$31,000	Annual Gross Income \$31,000
- 3,500	FSA Deposit for Recurring Expenses - 0
\$27,500	Taxable Gross Income \$31,000
- 6,228	Federal, Social Security Taxes -7,021
\$21,272	Annual Net Income \$23,979
- 0	Cost of Recurring Expenses -3,500
\$21,272	Spendable Income \$20,479

By using an FSA to pay for anticipated recurring expenses, you convert the money you save in taxes to additional spendable income. That's a potential annual savings of

\$793.00!

* Based upon a 22.65% tax rate (15% federal and 7.65% Social Security) calculated on a calendar year. Numbers are rounded up to nearest dollar.

Examples of how to use your FSA:

Medical Reimbursement Account Example:

Paying an office visit co-payment

After paying your co-payment at a service provider's office, obtain an Explanation of Benefits (EOB) or detailed receipt of the completed services. Submit these documents, along with a claim form to FBMC. Within five business days, FBMC will process your request and mail your reimbursement check to you or direct deposit your funds into the account of your choice. Or, you may have the ability to use your myFBMC CardSM, and have instant access to your medical reimbursement funds (see page 5 for more information on the myFBMC CardSM).

Dependent Care Reimbursement Example:

Paying for daycare services

Once you have paid for your child's daycare service, send a completed claim form to FBMC, along with documentation showing the following:

- Name, age and grade of the dependent receiving the service
- Cost of the service
- Name and address of the service provider
- Beginning and ending dates of the service.

Your request will be processed within five business days and either mailed to you or deposited into the account you have chosen.

Who is Eligible?

You are eligible if you are a full-time permanent employee, including temporary faculty employed for a one-academic year contract, or a part-time permanent employee, including temporary faculty employed for a one-academic year contract who works 50 percent of the time.

Annual Contribution Limits

For Medical Reimbursement FSA:*

Maximum Annual Deposit: \$3,500

For Dependent Care Reimbursement FSA:*

The maximum contribution depends on your tax filing status.

- If you are married and filing separately, your maximum annual deposit is \$2,500.
- If you are single and head of household, your maximum annual deposit is \$5,000.
- If you are married and filing jointly, your maximum annual deposit is \$5,000.
- If either you or your spouse earn less than \$5,000 a year, your maximum annual deposit is equal to the lower of the two incomes.
- If your spouse is a full-time student or incapable of self-care, your maximum annual deposit is \$3,000 a year for one dependent and \$5,000 a year for two or more dependents.

*There is no minimum contribution amount for either account.

Important FSA Notes:

- You have a **three month run-out period** (ending March 31) after your plan year ends to submit reimbursement requests for all eligible FSA expenses incurred DURING your plan year.
- Your Medical Reimbursement Account FSA has a **two month grace period** (ending February 28). This means that you can submit claims for expenses incurred during the first two months of the new plan year, and any leftover funds in your account from the prior plan year can be used for these services. Claims received for the first two months of the new plan year will be automatically applied to any remaining prior year account balances. Be sure to submit your grace period claims before the end of your three month run-out period.

Flexible Spending Accounts

Medical Reimbursement FSA

A Medical Reimbursement FSA is used to pay for eligible medical expenses which aren't covered by your insurance or other plan. These expenses can be incurred by yourself, your spouse, a qualifying child or relative.

Once you sign up for a Medical Reimbursement FSA and decide how much to contribute, the maximum annual amount of reimbursement for eligible health care expenses will be available throughout your period of coverage.

Partial List of Medically Necessary Eligible Expenses*

Acupuncture
Ambulance service
Birth control pills and devices
Chiropractic care
Contact lenses (corrective)
Dental fees
Diagnostic tests/health screening
Drug addiction/alcoholism treatment
Eyeglasses
Hearing aids and exams
In vitro fertilization
Injections and vaccinations
Lasik eye surgery
Medical plan deductibles
Nursing services
Office visit co-pays
Optometrist fees
Orthodontic treatment
Over-the-Counter items
Prescription drug co-pays
Smoking cessation programs/treatments
Surgery
Transportation for medical care
Weight-loss programs/meetings
Wheelchairs
X-rays

Note: Budget conservatively. No reimbursement or refund of Medical Reimbursement FSA funds is available for services that do not occur within your plan year and grace period.

* IRS-qualified expenses are subject to federal regulatory change at any time during a tax year. Certain other substantiation requirements and restrictions may apply, and will be supplied to you following enrollment.

Ineligible Expenses

For Medical Reimbursement FSA:

- insurance premiums
- vision warranties and service contracts and
- cosmetic surgery not deemed medically necessary to alleviate, mitigate or prevent a medical condition.

Note: Your Medical Reimbursement FSA may be used to reimburse eligible expenses incurred by yourself, your spouse, your qualifying child or your qualifying relative. An eligible child of divorced parents is treated as a dependent of both, so either or both parents can establish a Medical Reimbursement FSA.

Dependent Care

Reimbursement FSA

The Dependent Care Reimbursement FSA is a great way to pay for eligible dependent care expenses such as after school care, baby-sitting fees, daycare services, nursery and preschool. Eligible dependents include your qualifying child, spouse and/or relative.

Once you sign up for a Dependent Care Reimbursement FSA and decide how much to contribute, the funds available to you depend on the actual funds in your account. Unlike a Medical Reimbursement FSA, the entire maximum annual amount is not available during the plan year, but rather after your payroll deductions are received.

Partial List of Eligible Dependent Care Expenses*

After school care
Baby-sitting fees
Daycare services
Deposits
Elder care
In-home care/au pair services
Nursery and preschool
Summer day camps

Note: Budget conservatively. No reimbursement or refund of Dependent Care Reimbursement FSA funds is available for services that do not occur within your plan year.

* IRS-qualified expenses are subject to federal regulatory change at any time during a tax year. Certain other substantiation requirements and restrictions may apply, and will be supplied to you following enrollment.

Ineligible Expenses

For Dependent Care Reimbursement FSA:

- books and supplies
- child support payments or child care if you are a non-custodial parent
- health care or educational tuition costs and
- services provided by your dependent, your spouse's dependent or your child who is under age 19.

Note: You may use your Dependent Care Reimbursement FSA to receive reimbursement for eligible dependent care expenses for qualifying individuals, which includes a tax dependent under the age of 13, or a spouse or other tax dependent of any age who is physically and/or mentally incapable of self-care. Only the custodial parent of divorced parents can be reimbursed using a Dependent Care Reimbursement FSA.

myFBMC CardSM Visa[®] Card

The myFBMC CardSM Visa[®] Card is issued by UMB.



The myFBMC CardSM is a convenient reimbursement option that allows FBMC to electronically reimburse eligible expenses under your employer's plan and IRS guidelines. Because it is a payment card, when you use the myFBMC CardSM to pay for eligible expenses, funds are electronically deducted from your account.

myFBMC CardSM advantages

You can use the myFBMC CardSM for your eligible Over-the-Counter (OTC) expenses and prescription drug co-payments at drugstores. In addition, you may be able to use the myFBMC CardSM at your medical provider's office for co-payments and other eligible services that are not covered by your insurance. Other advantages include:

- **instant reimbursements** for health care expenses
- **instant approval** of all OTC and prescription expenses, as well as some medical, vision and dental (others require documentation)
- **no out-of-pocket expense** and
- **easy access** to your account funds.

Note: You **cannot** use the myFBMC CardSM for cosmetic dental expenses or eye glass warranties.

Using the myFBMC CardSM

For eligible expenses, simply swipe the myFBMC CardSM like you would with any other credit card. Whether at your health care provider or at your drugstore, the amount of your eligible expenses will be automatically deducted from your Medical Reimbursement FSA. Effective January 1, 2009, for Over-the-Counter and prescription purchases the card will only be accepted at IIAS certified merchants. Please see the **IIAS Store List** at www.myFBMC.com. For all other qualified expenses, such as medical and dental co-payments, the myFBMC CardSM will be used normally.

Two cards will be sent to you in the mail when you enroll in a Medical Reimbursement FSA; one for you and one for your spouse or eligible dependent. You should keep your cards to use each plan year until their expiration date. Remember, you can go to www.myFBMC.com to see your account information and check for any outstanding Card transactions.

When do I send in documentation for a myFBMC CardSM expense?

You must send in documentation for certain myFBMC CardSM transactions, such as those that are **not** a known office visit or prescription co-payment (as outlined in your health plan's Schedule of Benefits). When requested, you must send in documentation for these transactions. Documentation for a card expense is a statement or bill showing:

- name of the patient
- name of the service provider
- date of service
- type of service (including prescription name) and
- total amount of service.

Note: This documentation must be sent with a **myFBMC CardSM Claim Form** and cannot be processed without it. Like all other FSA documentation, you must keep your myFBMC CardSM expense documentation for a minimum of one year, and submit it to FBMC when requested.

What agreement am I making when I use the myFBMC CardSM?

For more information about the myFBMC CardSM, as well as your rights and responsibilities, see the Cardholder Agreement you will receive with your card after you enroll.

FSA Worksheets

Use the worksheets below to determine how much to deposit in your FSA. Calculate the amount you expect to pay during the plan year for eligible, uninsured out-of-pocket medical and/or dependent care expenses. This calculated amount cannot exceed established IRS and plan limits. (Refer to the individual FSA descriptions in this Reference Guide for limits.)

Be conservative in your estimates, since any money remaining in your accounts cannot be returned to you.

Medical Reimbursement FSA Worksheet

Estimate your eligible, uninsured out-of-pocket medical expenses for the plan year.

UNINSURED MEDICAL EXPENSES

Health insurance deductibles \$ _____

Coinsurance or co-payments \$ _____

Vision care \$ _____

Dental care \$ _____

Prescription drugs \$ _____

Travel costs for medical care \$ _____

Other eligible expenses \$ _____

TOTAL \$ _____

(Remember, your total contributions cannot exceed the plan year limit of \$3,500.)

Dependent Care Reimbursement FSA Worksheet

Estimate your eligible dependent care expenses for the plan year. Remember that your calculated amount cannot exceed the calendar year limits established by the IRS.

CHILD CARE EXPENSES

Daycare services \$ _____

In-home care/au pair services \$ _____

Nursery and preschool \$ _____

After school care \$ _____

Summer day camps \$ _____

ELDER CARE SERVICES

Daycare center \$ _____

In-home care \$ _____

TOTAL \$ _____

(Remember, your total contribution cannot exceed IRS limits for the plan year and calendar year.)

**DIRECT DEPOSIT - No one likes waiting for their money, why should you?
With Direct Deposit there are no fees for the service and your FSA reimbursement checks are deposited into the checking or savings account of your choice within 48 hours of claim approval.**

Beyond Your Benefits

FBMC Privacy Notice

4/14/03

This notice applies to products administered by Fringe Benefits Management Company and its wholly-owned subsidiaries (collectively "FBMC"). FBMC takes your privacy very seriously. As a provider of products and services that involve compiling personal—and sometimes, sensitive—information, protecting the confidentiality of that information has been, and will continue to be, a top priority of FBMC. This notice explains how FBMC handles and protects the personal information we collect. Please note that the information we collect and the extent to which we use it will vary depending on the product or service involved. In many cases, we may not collect all of the types of information noted below. FBMC's privacy policy is as follows:

I. We collect only the customer information necessary to consistently deliver responsive services. FBMC collects information that helps serve your needs, provide high standards of Customer Care and fulfill legal and regulatory requirements. The sources and types of information collected generally varies depending on the products or services you request and may include:

- Information provided on enrollment and related forms - for example, name, age, address, Social Security number, e-mail address, annual income, health history, marital status and spousal and beneficiary information.
- Responses from you and others such as information relating to your employment and insurance coverage.
- Information about your relationships with us, such as products and services purchased, transaction history, claims history and premiums.
- Information from hospitals, doctors, laboratories and other companies about your health condition, used to process claims and prevent fraud.

II. Under HIPAA, you have certain rights with respect to your protected health information. You have rights to see and copy the information, receive an accounting of certain disclosures of the information and, under certain circumstances, amend the information. You also have the right to file a complaint with the Plan in care of FBMC's Privacy Officer or with the Secretary of the U.S. Department of Health and Human Services if you believe your rights under HIPAA have been violated.

Additional information that describes how medical information about you may be used and disclosed and how you can get access to this information is provided electronically on our Web site: www.myFBMC.com. You have a right to a paper copy at any time. Contact FBMC Customer Care at 1-866-836-9945.

III. We maintain safeguards to ensure information security. We are committed to preventing unauthorized access to personal information. We maintain physical, electronic and procedural safeguards for protecting personal information. We restrict access to personal information to those employees, insurance companies and service providers who need to know that information to provide products or services to you. Any employee who violates our Privacy Policy is subject to disciplinary action.

IV. We limit how, and with whom, we share customer information. We do not sell lists of our customers, and under no circumstances do we share personal health information for marketing purposes. With the following exceptions, we will not disclose your personal information without your written authorization. We may share your personal information with insurance companies with whom you are applying for coverage, or to whom you are submitting a claim. We also may disclose personal information as permitted or required by law or regulation. For example, we may disclose information to comply with an inquiry by a government agency or regulator, in response to a subpoena or to prevent fraud.

We will provide our Privacy Notice to current customers annually and whenever it changes. If you no longer have a customer relationship with us, we will still treat your information under our Privacy Policy, but we will no longer send notices to you. In this notice of our Privacy Policy, the words "you" and "customer" are used to mean any individual who obtains or has obtained an insurance, financial product or service from FBMC that is to be used primarily for personal or family purposes.

Notice of Administrator's Capacity

This notice advises Flexible Spending Account participants of the identity and relationship between your employer and its Contract Administrator, Fringe Benefits Management Company (FBMC). FBMC is not an insurance company. FBMC has been authorized by your employer to provide administrative services for the Flexible Spending Account plans offered herein. FBMC will process claims for reimbursement promptly. In the event there are delays in claims processing, you will have no greater rights in interest or other remedies against FBMC than would otherwise be afforded to you by law.

Social Security

Social Security consists of two tax components: the FICA or OASDI component (the tax for old-age, survivors' and disability insurance) and the Medicare component. A separate maximum wage to which the tax is assessed applies to both tax components. There is no maximum taxable annual wage for Medicare. The maximum taxable annual wage for FICA is subject to federal regulatory change. If your annual salary after salary reduction is below the maximum wage cap for FICA, you are reducing the amount of taxes you pay and your Social Security benefits may be reduced at retirement time.

However, the tax savings realized through the Flexible Benefits Plan generally outweigh the Social Security reduction. Call FBMC Customer Care at 1-866-836-9945 for an approximation.

Written Certification

When enrolling in either or both FSAs, written notice of agreement with the following will be required:

- I will only use my FSA to pay for IRS-qualified expenses and only for my IRS-eligible dependents
- I will exhaust all other sources of reimbursement, including those provided under my employer's plan(s) before seeking reimbursement from my FSA
- I will not seek reimbursement through any additional source and
- I will collect and maintain sufficient documentation to validate the foregoing.

Benefits Directory

Fringe Benefits Management Company

FBMC Customer Care Center
Mon - Fri, 7 a.m. - 10 p.m. EST
1-866-836-9945

Claims Submission

Toll-free fax
1-866-923-6317

myFBMC CardSM Visa[®] Card

Lost or Stolen Card
24 hours a day
1-888-462-1909

Dispute Line

FBMC Customer Care Center
Mon - Fri, 7 a.m. - 10 p.m. EST
1-866-836-9945

Activation

24 hours a day
1-888-514-6845

FBMC

Premier Benefits Solutions

Contract Administrator

Fringe Benefits Management Company
P.O. Box 1878 • Tallahassee, Florida 32302-1878
Customer Care 1-866-836-9945 • 1-800-955-8771 (TDD)
www.myFBMC.com

Information contained herein does not constitute an insurance certificate or policy. Certificates will be provided to participants following the start of the plan year, if applicable.

