



# Flexible Spending Accounts

a tax saving benefit

CrawfordAdvisors, LLC

## What are covered expenses?

All expenses approved by the Internal Revenue Service (IRS) and partially or not covered under any insurance plan are considered covered expenses.

Here are some examples:

- ▲ Animals, trained to assist individuals with disabilities
- ▲ Birth control pills
- ▲ Copayments and coinsurance
- ▲ Communication equipment for the deaf and hearing-impaired
- ▲ Dental expenses
- ▲ Dermatologist
- ▲ Educational aids for individuals with disabilities
- ▲ Eye exams/eyeglasses/contact lenses/saline solution/lens cleaner
- ▲ Immunizations/vaccinations
- ▲ Infertility treatment
- ▲ Laser/Lasik eye surgery
- ▲ Orthopedic shoes
- ▲ Prescription drug copays
- ▲ Smoking cessation programs
- ▲ Special education for individuals with disabilities, including tuition at special schools
- ▲ Special equipment or home improvements prescribed for a specific condition
- ▲ Substance abuse treatment
- ▲ Wheelchair/durable medical equipment

## What's not covered?

You *cannot* include in medical expenses the amount you pay for unnecessary cosmetic surgery. This applies to any procedure that is directed at improving the patient's appearance and does not meaningfully promote the proper function of the body or prevent or treat illness or disease. Insurance premiums are not a covered expense under an FSA.

*Note: You can include the medical expense of amounts paid for cosmetic surgery necessary to improve a deformity arising from, or directly related to, a congenital abnormality, a personal injury from an accident or trauma, or a disfiguring disease.*

# Health Care Flexible Spending Account

## What is a Health Care Flexible Spending Account (FSA)?

A Health Care FSA is an employee-owned account that uses pre-tax dollars to pay for out-of-pocket medical/dental/vision expenses *for you and your family members*.

Note: You don't have to be covered under your employer's medical plan to participate in the Health Care FSA.

## How does it work?

With an FSA, you can voluntarily set aside money for out-of-pocket expenses. The money you elect to deposit into the FSA is automatically deducted from your gross pay before federal, state (except in New Jersey), local and Social Security taxes are withheld. The money is deducted from your pay in equal installments throughout the year or as long as you are a plan participant.

After you've incurred out-of-pocket expenses, you submit a claim with proper expense substantiation and you will be reimbursed for all eligible expenses within the plan year, up to the maximum you elected, with tax-free dollars.

It does not matter when the services were paid, only the date the service was provided, as long as it occurs while you're a participant.

## Should I choose a Health Care FSA?

Since federal income tax laws do not permit you to deduct medical expenses totaling less than 7.5 percent of your adjusted gross income, the Health Care FSA offers an alternative for saving on taxes.

## What is the Health Care FSA maximum?

The annual maximum is set by your employer and it may change from plan year to plan year.

*The Health Care FSA may be right for you if:*

- ▲ You regularly have copays and/or deductibles for yourself and family members
- ▲ You regularly have out-of-pocket expenses for such things as special treatments and prescription drugs for maintenance of medical conditions
- ▲ You anticipate expenses in the coming year for uncovered or partially covered medical expenses such as well-baby care, dental work, psychiatric care or counseling, orthodontia, eyeglasses, contact lenses, or laser/lasik eye surgery

Refer to the IRS Publication 502 for what the IRS considers covered expenses. If you still have questions, call 800-657-6265.

# Health Care Flexible Spending Account

## Over-the-Counter Drugs

Recognizing that many prescription drugs are becoming available over-the-counter (OTC) and such availability results in prescription drug plans not covering such drugs, the IRS issued a ruling in 2003 that allowed reimbursement of these OTC purchases through your Health Care Flexible Spending Account. You may submit expenses for items that are for medical care as defined for the “diagnosis, cure, mitigation, treatment or prevention of disease.”

Expenses for items that are merely beneficial to an individual's general good health, such as vitamins and dietary supplements are not reimbursable under the FSA.

## Changes to Eligible OTC Products for 1/1/2011 - Eligible OTC Products Changes

In March, President Obama signed the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. The Act includes a number of modifications to employee benefit programs. One provision that will affect employee participants beginning January 1, 2011, is the requirement for over-the-counter (OTC) drugs and medicines to be accompanied by a physician's prescription in order to be reimbursed under FSAs, HRAs, and HSAs.

OTC drugs and medicines will continue to be eligible for reimbursement as long as the request is accompanied by a doctor's prescription. This means that items such as cough medicines, pain relievers, acid controllers, and diaper rash ointment will now require a doctor's prescription to be submitted along with the reimbursement request. Insulin and other OTC items, such as band-aids, will continue to be eligible without a prescription.

### Eligible OTC Products Changes - Sample categories of items that will require a doctor's prescription:

- ▲ Acid Controllers
- ▲ Allergy & Sinus
- ▲ Antibiotic Products (like neosporin)
- ▲ Anti-Diarrheals
- ▲ Anti-Gas
- ▲ Anti-Itch & Insect Bite
- ▲ Anti-parasitic Treatments
- ▲ Baby Rash Ointments/Creams
- ▲ Cold Sore Remedies
- ▲ Cough, Cold & Flu
- ▲ Digestive Aids
- ▲ Feminine Anti-Fungal/Anti-Itch
- ▲ Hemorrhoidal Preps
- ▲ Laxatives
- ▲ Motion Sickness
- ▲ Pain Relief
- ▲ Respiratory Treatments
- ▲ Sleep Aids & Sedatives
- ▲ Stomach Remedies

### Eligible OTC Products Changes - Sample categories of OTC items that will remain available without a doctor's prescription:

- ▲ Band Aids
- ▲ Birth Control
- ▲ Braces & Supports
- ▲ Catheters
- ▲ Contact Lens Supplies & Solutions
- ▲ Denture Adhesives
- ▲ Diagnostic Tests & Monitors
- ▲ Elastic Bandages & Wraps
- ▲ First Aid Supplies
- ▲ Insulin & Diabetic Supplies
- ▲ Ostomy Products
- ▲ Reading Glasses
- ▲ Wheelchairs, Walkers, Canes

## Who is an eligible dependent?

The IRS defines an eligible dependent as:

- ▲ A child under age 13
- ▲ A dependent over age 13 who is physically or mentally incapable of self-care, and who you claim as a dependent on your income tax return

## What are covered expenses?

The IRS defines covered expenses as:

- ▲ Cost of day care either inside or outside your home, but not by an individual you claim as a dependent
- ▲ After-school care
- ▲ Nursery school
- ▲ Day camp (not overnight camp)
- ▲ Elder care

## What expenses are not covered?

- ▲ School Tuition for Kindergarten or above
- ▲ Overnight camps
- ▲ Nursing home care for spouse or disabled tax dependent (that might be reimbursable under a Health Care FSA, but not Dependent Care, which is meant for custodial care incurred to permit you/your spouse to work, etc.).
- ▲ Meals
- ▲ Fieldtrips / Activity Fees

*Refer to IRS Publication 503 for what the IRS considers covered expenses. Not sure if it's covered? Call the FSA Customer Service at 800-657-6265.*

## Program Benefits

- ▲ Give yourself a raise—pay less in taxes and get more from your pay-check
- ▲ Using an FSA can save you money on dependent care or health expenses or both
- ▲ Each year you decide your participation level based on your needs
- ▲ Employer-provided benefit
- ▲ No additional cost to you

# Dependent Care Flexible Spending Account

## What is a Dependent Care Flexible Spending Account (FSA)?

A Dependent Care FSA is an employee-owned account that uses pre-tax dollars to pay for dependent care expenses. Dependent care expenses must be incurred in order to allow an employee to be gainfully employed. Expenses incurred for the primary function of education itself are NOT eligible.

## How does it work?

With an FSA, you can voluntarily set aside money to pay for eligible dependent care expenses. The money you elect to deposit into the FSA is automatically deducted from your gross pay before federal, state, local and Social Security taxes are withheld. In NJ and PA, state and local taxes are not exempt. The money is deducted from your pay in equal installments throughout the year or as long as you are a plan participant. After the service has been provided and you've incurred the expense, you submit a claim and you will be reimbursed up to the balance in your account for all covered expenses up to the maximum you elected with tax-free dollars. Pre-paid expenses cannot be reimbursed until the service is provided. In addition, you may not use funds from your FSA account to pre-pay expenses.

The total amount you can deposit into the Dependent Care FSA per calendar year cannot exceed the lesser of \$5,000, or \$2,500 for a married person filing separately, or the spouse's earned income. If your spouse is working, actively seeking work, or is a full-time student, you can participate in the Dependent Care FSA.

**When you use the Dependent Care FSA to pay for child care expenses, you cannot claim these same expenses as a tax credit for federal tax purposes. A comparison between the dependent care tax credit and the Dependent Care FSA is available to help you decide which is better for you.**

A taxpayer claiming a day care credit or using the Dependent Care FSA must report the name, address, and taxpayer identification number or Social Security number of the day care provider being used.

Nursery, pre-school, and after school care expenses should be calculated based on the dates of service during your plan year.

## The Dependent Care FSA may be right for you if:

- ▲ You pay for day care for a child under age 13
- ▲ You pay for before or after-school care or day camp for a child under 13
- ▲ You pay for day care for a disabled child, spouse or parent whom you claim as a dependent

# Flexible Spending Accounts

## Direct Deposit

Direct deposit is a convenient way to receive flexible spending account reimbursements promptly. This option allows you to have your reimbursements deposited directly into your savings or checking account. Direct deposit eliminates trips to the bank to cash or deposit checks and the possibility of a check being delayed, destroyed, or lost in the mail.

This option is available at no cost to you. You may enroll online or by returning a direct deposit enrollment form along with a voided check to Crawford Advisors. Contact information can be found on the form.

Each time you are issued a reimbursement, an Explanation of Benefits (EOB) will be sent to you confirming the amount of reimbursement and any other pertinent spending account details.

## Online Account Access

Once enrolled, you will be able to view your elections and balances online. You may also update your email address and direct deposit information. If we have your email address you will be notified each time we approve, deny or reimburse your claims instantly. To log in:

**Type** <http://fsa.crawfordadvisors.com> into your web browser.

Your **Login ID** is your 9 digit Social Security Number (SSN).

Your **Password** is the last 4 digits of your SSN. You will be prompted to change your Password the first time you log in.

**Login Method** will be "Social Security Number".

Once you have logged in successfully, you will be assigned a Login ID you can use in lieu of your SSN if you choose. If you use the Login ID, you should choose "Login ID" as your **Login Method** as well.

User passwords may be reset by calling 800-657-6265 or by emailing [fsa@crawfordadvisors.com](mailto:fsa@crawfordadvisors.com).

## How to Speed Up Your Claim Reimbursement

- ▲ File claims online at <http://fsa.crawfordadvisors.com>. This will generate a pre-filled form with the necessary information on you and your claim. You will automatically be prompted to print and fax (with your backup documentation) when you are finished.
- ▲ If you mail claims, photocopies are preferred; please don't send original receipts. Keep those for your records.
- ▲ Faxing your documents expedites claim processing. Our fax number is 410-771-9487.
- ▲ Complete all fields of the claim form accurately and legibly.
- ▲ Daycare claims can only be reimbursed for services that have been rendered.
- ▲ Don't send cancelled checks or credit card receipts. We are unable to accept them.
- ▲ Don't send receipts with a balance forward. Crawford Advisors, LLC requires the claim incurred date and the services that were rendered.
- ▲ Prescription receipts must include amount, drug name, patient's name, pharmacy name and date.
- ▲ Detailed cash register receipts can be accepted for OTC medicines, but only when accompanied with a doctor's prescription (new requirement for 2011).
- ▲ Please provide your e-mail address on your claim form so we may contact you if we have any questions.

## Use It or Lose It

Consider your expenses carefully before you decide how much to contribute to your account. If your eligible expenses turn out to be less than the amount contributed to your account, federal law requires the unused balance be forfeited (the "Use It or Lose It" rule). Do not contribute more than you are reasonably certain to use.

## FSA's and Status Changes

Federal regulations prohibit you from changing your enrollment or the amount of your election during the plan year. You are only eligible to change your elections during the year if you have a Status Change. Only benefit changes which are consistent with the Status Change are permitted, as determined by the Plan Administrator, in its discretion, under applicable law and the Plan provisions. You generally must notify you Plan Administrator within 30 days of the Status Change in order to make a change in your benefit elections.

### It's your decision...

- ▲ You can change your election every year
- ▲ It doesn't cost you anything to participate
- ▲ You don't have to buy anything to participate
- ▲ You decide how much to deposit
- ▲ You save taxes

FSAs reduce your taxes because you pay for unreimbursed medical, dental and vision expenses and/or day care expenses with pre-tax dollars. Each year you decide how much to contribute to each account based on your needs. Your employer is providing this program to help you reduce your costs.

## Flexible Spending Accounts

### How do I calculate my FSA deposit?

It's important for you to estimate your expenses carefully in advance because the IRS requires that any unused money left in your FSA at the end of the plan year must be forfeited. You have three months after the end of the plan year to submit expenses incurred during the plan year.

Also, once you elect how much to deposit into your FSA for the year, you cannot change or discontinue the amount of your deposit unless you have a status change, e.g. marriage, divorce, addition or loss of dependents, or change in work status for your spouse.

Although the IRS regulations regarding forfeitures are strict, the before-tax advantages of the FSA can be substantial. It's worth your time to estimate what you think your out-of-pocket expenses will be for the upcoming year. A worksheet is supplied in this booklet to help you do this.

Not sure if it's covered? Call the FSA Customer Service at 800-657-6265.

### What are the tax savings under a Health FSA?

John is married, earning \$40,000 per year with two children and has \$1,000 out-of-pocket medical expenses.

	WITHOUT AN FSA	WITH AN FSA
Annual Salary	\$40,000	\$40,000
Pre-taxed Deferral	-0	-1,000
Taxable Income	40,000	39,000
Taxes*	-14,260	-13,904
Medical Expenses	-1,000	-0
Take-Home Pay	\$24,740	\$25,096
Annual Savings		\$356
John's Net Cost		\$644

*\*Assumes 28% federal income tax and 7.65% Social Security tax. New Jersey residents pay state income tax on gross pay.*

# FSA Worksheet

Your FSA allows you to pay for eligible Health Care and Dependent Care expenses on a before-tax basis. This means that the money is deposited before federal, state, local and Social Security taxes are withheld from your pay. New Jersey residents continue to pay state income tax on gross pay. Pennsylvania residents pay state income tax on only their Dependent Care FSA amount. You will have the option to participate in the Health Care FSA or the Dependent Care FSA, or both, each plan year. This worksheet will assist you in calculating how much to deposit for health and dependent care expenses for you and your family members. It is important to plan how much you deposit into your FSA, because if you have money left in the account at the end of the plan year, you will FORFEIT YOUR UNUSED BALANCE IN ACCORDANCE WITH IRS REGULATIONS.

## HEALTH CARE FSA

MEDICAL/DENTAL/VISION EXPENSES* LIST THE AMOUNT YOU SPEND FOR	PRIOR YEAR ACTUAL EXPENSES*	PROJECTED EXPENSES*
Deductibles	\$ _____	\$ _____
Coinsurance/Copayments	\$ _____	\$ _____
Prescription Drug Copays and Deductibles	\$ _____	\$ _____
Vision Care (eye exams, glasses, contact lenses and supplies)	\$ _____	\$ _____
Well-Child Care	\$ _____	\$ _____
Maintenance for Chronic Medical Conditions	\$ _____	\$ _____
Orthodontic Services	\$ _____	\$ _____
Other (any approved IRS expenses)	\$ _____	\$ _____
TOTAL		\$ _____
PROJECTED MEDICAL CARE FSA DEPOSIT		\$ _____

*\*Not covered or partially covered under any group insurance plan.*

## DEPENDENT CARE FSA

MEDICAL/DENTAL/VISION EXPENSES* LIST THE AMOUNT YOU SPEND FOR	PRIOR YEAR ACTUAL EXPENSES*	PROJECTED EXPENSES
In-Home Day Care	\$ _____	\$ _____
Day Care Center	\$ _____	\$ _____
Nursery School	\$ _____	\$ _____
Summer Day Camp	\$ _____	\$ _____
Well-Child Care	\$ _____	\$ _____
After School Care	\$ _____	\$ _____
TOTAL		\$ _____
PROJECTED DAY CARE FSA DEPOSIT		\$ _____

## Flexible Spending Accounts

### Selected Eligible Health Care Expenses (unreimbursed by your health plan)

Acupuncture	Doctor fees	Operations
Alcoholism treatment	Domestic aid, type that would be rendered by a nurse	Orthodontia, non-cosmetic
Ambulance	Drug addiction, recovery from	Osteopath fees
Artificial limbs	Drugs, over-the-counter, used to treat a specific illness or injury such as pain relievers	Patterning exercises for child with disabilities
Artificial teeth (not cosmetic)	Drugs, prescription	Personal kits for cholesterol, colorectal cancer, home drug, ovulation indicators, & pregnancy screening and testing
Autoette	Durable medical equipment	Physician fees
Blindness, special educational aids to mitigate condition	Eye examinations and glasses	Physical therapy
Braille books and magazines, cost in excess of regular edition	First aid supplies, such as bandaids	Psychiatric care
Capital expenditures, primarily for medical care, not including increase in property value	Guide animals, cost and maintenance	Psychologist and psychotherapist fees
Car, equipped to accommodate wheelchair passengers	Hearing aids, telephone, specially equipped	Radial Keratotomy
Car for the physically challenged	Home improvement for medical considerations	Remedial reading and language training
Care for a mentally challenged individual	Hospital care, inpatient	Routine physicals and other non-diagnostic services or treatments
Chiropractor fees	Hospital services	Schools or teachers, special relief of disability
Christian Science treatment	Insulin	Sexual dysfunction, hospitalization for
Coinsurance or copayments for health care	Laboratory fees	Sterilizing operation
Contact lenses	Laetrile by prescription	Surgical fees
Contact lens cleaners and solutions	Lead paint removal, if child with lead paint poisoning	Transplant, donor's costs
Contraceptives, prescription	Legal expenses, authorization of treatment for mental illness	Transportation/lodging cost incurred essentially and primarily for medical care
Cosmetic surgery, only if due to congenital abnormality, accident or trauma injury, or disfiguring disease	Lip reading expenses for the deaf	Vasectomy
Crutches	Medical supplies, prescription	Vitamins, prescription (medically necessary)
Deductibles for health care expenses	Medical thermometers	Weight loss program under a physician's care
Dental fees	Mentally challenged person's cost for special home	Wheelchair
Dentures	Nurse's fees, including room, board and Social Security tax if paid by taxpayer	Wig, upon physician advice for medical reason
Diagnostic fees	Obstetrical fees	X-rays

### Selected Non-Eligible Health Care Expenses

Adoption, medical costs of natural mother	Deprogramming services	Hygienic supplies
Adoption, legal fees	Diaper service	Insurance premiums
Air conditioner, increase in property value	Drugs, used to benefit overall general health, dietary supplements, such as vitamins	Legal expenses, for divorce upon medical advice
Babysitting	Dust elimination system	Marriage counseling
Capital expenses, increase in property value	Ear piercing	Maternity clothes
Car insurance, medical coverage	Electrolysis	Residence, loss on sale, move medically recommended
Central vacuum system	Exercise equipment not specifically prescribed by physician	Self-help, medical
Chauffeur, salary of	Face lift	Spiritual guidance or counseling
Childcare (may be eligible for Dependent Care FSA or tax credit)	Fallout shelter for prevention of disease	Swimming lessons
Clothing	Funeral expenses	Tattoos
Contact lens insurance policy	Furnace	Toiletries, such as toothpaste, shaving lotion, soap
Cosmetics	Gravestone	Trip for general health improvement
Cosmetic surgery, unless due to congenital abnormality, accident or trauma injury, or disfiguring disease	Hair transplants	Vacations, health restorative
Cruise vacation	Health club dues	Vacuum cleaner for alleviation of dust allergy
Dancing lessons	Health spa	Wig, not prescribed by physician
	Heating system	

**Beginning January 1, 2011, the IRS may require a doctor's note or prescription for OTC products purchased in order for them to be reimbursed under the Health Care FSA.**

*Note: The itemized lists within this publication describe some of the items that are eligible for reimbursement under your Health Care Flexible Spending Account and some that are not eligible. They do not include all possible eligible or ineligible items and there may be some exceptions even for items included on these lists. The Plan can generally reimburse you for expenses for you and your spouse or dependents (for federal tax purposes) that are deductible medical expenses (with certain exceptions) or expenses for over-the-counter medicine purchased to treat illness or injury. The Plan will not reimburse anyone for items that the Plan Administrator determines are not eligible under applicable law. For more details about deductible medical expenses, see IRS Publication 502, which is available from your local IRS office, or online at [www.irs.gov](http://www.irs.gov). However, note that health insurance premiums, long term care insurance premiums and expenses for long term care **cannot** be reimbursed through a Health Care Flexible Spending Account, even though they are deductible medical expenses listed in Publication 502.*