

How to use your **Flexible Spending Accounts**



Your Flexible Spending Accounts allow you to be reimbursed for eligible health care and dependent day care expenses with tax-free dollars.



REGIONS

How a Spending Account Works

A flexible spending account allows you to use payroll deductions to set aside money on a pre-tax basis into an account and then reimburse yourself for certain health care or dependent day care expenses not paid under your insurance benefits. A spending account can save you money by using pre-tax dollars, but it requires careful planning. Keep these important points in mind:

- Money left in an account is NOT refundable to you at the end of the year, or grace period. ***In other words, if you don't use it, you lose it!!*** (See the back page for information regarding the grace period)
- **Once you have enrolled in the spending account(s), you can't stop participating or change the amount you are contributing until the next enrollment period.** An exception may be made ONLY if you have a change in family status (as defined under the Internal Revenue Code). Some examples include a change in:
 - Legal marital status
 - Number of dependents
 - Employment status of yourself or a spouse, including beginning/ending an unpaid leave of absence
 - Work schedule
 - Worksite or residence

Morgan Keegan offers both the Health Flexible Spending Accounts (FSA) and the Dependent Day Care Account.

HEALTH FSA

This account can be used to pay for most health care expenses not covered by a health, dental or vision plan. Money from this account is best used for regular, predictable expenses, such as copayments or deductibles that may not be covered by a plan. The minimum amount you may put into the account each calendar year is \$600 and the maximum amount is \$2,500.

DEPENDENT DAY CARE ACCOUNT

This account reimburses you for expenses associated with the care of children (under age 13) or other dependents (e.g., the elderly) while you (and your spouse) work or attend school full-time. The minimum amount you may put into the account each calendar year is \$600 and the maximum amount is \$5,000 (or \$2,500 for married taxpayers filing separate returns).

IRS publications 502 and 503 offer general guidelines of eligible expenses for spending accounts and can be used to help determine how you can benefit from using a spending account.

The Health FSA

Eligible Expenses

Expenses that can be reimbursed through the Health FSA are generally those expenses allowed by the Internal Revenue Service as tax deductible health care expenses. The amount eligible for reimbursement is the amount not reimbursed or paid for by any other health care benefits plan. Such expenses include, but are not limited to, the following:

- Medical plan deductibles, copayments, and coinsurance; also medical expenses not reimbursed by a medical plan
- Prescribed medications including birth control pills
- Prescribed drugs and programs to stop smoking
- Routine medical exams
- Over-the-counter medications submitted **with** a doctor's written prescription
- Special equipment (e.g., telephone equipment for the deaf)
- Crutches and wheelchairs
- Artificial limbs and false teeth
- Eye glasses, contact lenses and corrective surgery (LK, RK, laser, etc.)

Ineligible Expenses

Expenses not eligible for reimbursement through the Health FSA include, but are not limited to, the following:

- Over-the-counter medications submitted **without** a doctor's written prescription
- Weight loss programs (unless prescribed by a physician to treat a medical condition)
- Funeral and burial expenses
- Dental procedures to whiten teeth
- Cosmetic surgery and treatment related to cosmetic surgery
- Anti-baldness drugs
- Insurance premiums

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How Health Care Expenses Are Reimbursed

As long as your health care claim does not exceed your total annual contribution election and it is an eligible expense, you will be reimbursed for the total amount of your expense even if you have not yet contributed that amount to your Health FSA. If an expense is covered by you or your spouse's medical or dental plan, it must first be submitted to the appropriate plan(s) for payment. You will receive a Processed Claims Report (also known as Explanation of Benefits–EOB) that shows how much, if any, was paid by these plans. Any portion not paid by you or your spouse's plan(s) may be submitted, along with the Claims Report, to be processed for reimbursement from your Health FSA.

To submit claims for medical, dental, vision, and other eligible health care expenses you should include documentation that includes:

- Provider of the service,
- Date expense was incurred (not paid date or billing date),
- Type of service,
- Amount of expense.

Canceled checks and balance forward receipts are not acceptable documentation for reimbursement.

The Preferred Flex Card

The Preferred Flex Card may be used at authorized merchants and health care providers that accept MasterCard® foreligible products or services, which are reimbursable under your Health FSA. Rather than paying out of pocket and waiting for reimbursement, you will now be able to utilize the card to pay for qualified expenses. The flex card will pay the provider or merchant directly from your Health FSA utilizing the MasterCard® network.

Here's how it works:

1. Enroll in a Preferred Health FSA during open enrollment.
2. If you have not previously had a Preferred Flex Card, it will be mailed to you at the beginning of the plan year. It is not necessary to activate the card before using – it is automatically activated the first time you have a card transaction. If you already have a Flex Card, it will be loaded with your new election.
3. When you incur an eligible expense (such as an office visit copay or vision care expense) at a qualified provider, you can pay the provider with your flex card.
4. When using the flex card at self-service merchant terminals, select the “credit” option. DO NOT select “debit” since no PIN is associated with this card.

The flex card is intended for, and restricted to, use for eligible services and/or purchases associated with a Health FSA, as governed by the Internal Revenue Service in conjunction with flexible spending accounts and all federal and state laws relative to those accounts.

May I access my Health FSA without the card?

Yes, if your provider or merchant does not accept MasterCard® or you elected not to use your flex card, simply pay for your expenses and submit a Request for Reimbursement form for the eligible expense.

This can be done by mail or fax to:

**Blue Cross and Blue Shield of Alabama
Preferred Blue Accounts**
P.O. Box 11586
Birmingham, AL 35202-1586
Toll Free Fax: 1-877-889-3610

Do I need to keep my receipts?

Yes, the IRS requires that we validate each flex card transaction. In some cases, we will use our claims data to accommodate this requirement. If we do not have the claims data or if the transaction cannot be validated, you will be required to provide documentation with receipts. Failure to submit the documentation/receipts can result in the expense being labeled as “ineligible”. In this case, you would be obligated to repay the amount to the Plan. It can also result in deactivation of your card.

Special Procedures for Orthodontia

If orthodontia treatment is covered by a dental plan, submit the Processed Claims Report stating what the dental carrier paid along with a signed spending account reimbursement form. Reimbursement from the Health Care Account will be based on the documentation submitted from the Dental Carrier.

If orthodontia treatment is not covered by a dental plan, send a copy of the agreement provided by the orthodontist that states the period of service and total cost of the procedure (including initial charge and monthly payment plans). The most convenient way to make your monthly payments is by using your Flex Card. If you do, be sure to retain your receipt for validation purposes. Another option is to complete and submit a separate reimbursement form each month as services are rendered.

If payment is made in full at the time of service, full reimbursement will be made. You may use your Flex Card up to the balance available in your account or you may complete and submit a spending account reimbursement form.

The Dependent Day Care Account

Eligible Expenses

Expenses that can be reimbursed through the Dependent Day Care Account are expenses needed to care for a child or disabled dependent(s) because you – and your spouse, if you're married – work. Such expenses include, but are not limited to, the following:

- Payments to nursery schools, child/elder care centers, or individuals for care of pre-school children.
- Payments for before-school or after-school care for children from first grade to under age 13 or for disabled dependent(s) of any age (including meals, lodging, and payroll taxes of provider).
- Payments to providers outside the home for care of disabled dependent(s).
- Services of a housekeeper, maid or cook if services are partly for the care of a child under age 13 or for disabled dependent(s) (including meals, lodging, and payroll taxes of housekeeper).
- Payments to a relative for care of qualifying dependent(s). Please note the relative cannot be your dependent.
- Payments in lieu of regular day care to summer day camp or other summer day programs for which your dependent receives no educational credit.

Ineligible Expenses

Expenses not eligible for reimbursement through the Dependent Day Care Account include, but are not limited to, the following:

- Tuition for kindergarten children
- Expenses for the education of your qualified dependent(s)
- Expenses for food, clothing, or entertainment for your dependent(s)
- Services of gardener or chauffeur
- Transportation to get your dependent(s) to day care outside your home
- Payments to a housekeeper while you are home sick
- Payments to a dependent to care for another dependent
- Expenses for overnight camps

How Dependent Care Expenses Are Reimbursed

As long as your eligible request for reimbursement does not exceed your account balance, you will be reimbursed for the total amount of your expense. If your account balance is less than the amount of your request, you will be reimbursed the current balance in your account. The unpaid portion of your request will be “pending.” This means that it will be held until additional money is deposited in your account. Once the money is available, your pending request will be paid automatically.

To submit request for reimbursement you should include documentation that provides:

- A provider-signed receipt or invoice that itemizes the date(s) of service and the amount(s) charged. Be sure to include each provider’s name, address, and Social Security number or Taxpayer Identification number with the first request submitted for the current year.
- The Taxpayer Identification number is not necessary if the provider is a non-profit, religious, charitable or educational organization [under Section 501 (c)(3)].

The services cannot be reimbursed until they have been rendered. Due to mail time and processing schedules, you may not be reimbursed quickly enough to pay for the next week’s cost of care. Please budget accordingly since reimbursement may take up to 45 days. Canceled

Canceled checks and balance forward receipts are not considered acceptable documentation.

Processing of Request for Reimbursement

- Payroll contributions are posted as soon as administratively possible after pay day. Please allow time for processing after each pay period.
- Requests are processed daily. It is important to file your request for reimbursement as soon as possible, to allow time to resubmit if additional information is requested. You should keep a copy of any request you submit.
- Expenses incurred while actively participating in the plan must be filed in a timely manner. Requests for Health FSA reimbursement of claims incurred January 1 through March 15 must be submitted by April 15 of the following year (please refer to “Grace Period” for more information). Dependent Care Account requests for claims incurred January 1 through December 31 must be submitted by March 31.
- If you pay for dependent care or health care expenses in advance, you will be reimbursed when the service is actually performed or received. For example, if you pre-pay in June for elective surgery that is scheduled and performed in July, you will be reimbursed after you receive the service in July.
- Blue Cross and Blue Shield of Alabama offers direct deposit service for spending accounts at no cost to you. For more information, contact Customer Service at 1-800-213-7930 or visit our web site at **www.bcbsal.com**.
- When you enroll in the plan a Request for Reimbursement form will be sent to you. Additional forms are available on our web site at **www.bcbsal.com**.

Grace Period

The grace period provision provides for a delay to the “use it or lose it” rule under the traditional Flexible Spending Account (FSA). **The grace period allows for money remaining in an FSA at the end of a plan year to be carried over and used to cover eligible expenses incurred through the 15th day of the third month after the plan year ends.** The grace period for your plan must not extend beyond March 15 after the end of the immediately preceding plan year to which it relates. Keep in mind, this does not eliminate the “use it or lose it rule” completely. Any unused amounts from the prior plan year that are not used to reimburse expenses by the end of the grace period remain subject to the “use it or lose it rule” and must be forfeited.

All Health FSA reimbursements issued during the grace period will be processed as “first dollar in, first dollar out”. In other words, if there is money available in your Health FSA as of December 31 and you incur an expense from January 1 to March 15 of the new plan year, you will be reimbursed from the money remaining in your Health FSA as of December 31 of the previous plan year. Once your previous plan year’s Health FSA balance is zero, then reimbursements will be made from your new plan year Health FSA. As previously stated, any unused amounts from the prior plan year that are not used to reimburse expenses by the end of the grace period remain subject to the “use it or lose it rule” and must be forfeited.

Remember, there is still a timely filing date for you to file any FSA expenses. Both Health FSA expenses incurred during the regular plan year or during the grace period and Dependent Day Care Account expenses incurred during the regular plan year only must all be filed by April 15 (for Health) and March 31 (for Dependent) of the following plan year to be eligible for reimbursement.

If you have any questions regarding your account, contact
Blue Cross and Blue Shield of Alabama at **1-800-213-7930** or go to **www.bcbsal.com** on the Internet.



**BlueCross BlueShield
of Alabama**

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