An FSA is Your Key to Tax Savings!

Sandia National Labs
Plan Year: 1/1/2010 – 12/31/2010
Healthcare & Dependent Day Care Flexible Spending Accounts
Non-Union Employees enrolled in the New Sandia Total Health and a Health Care FSA – Your HCFSA account will be administered by UnitedHealthcare (see UHC table if you have process questions)

All other employees – Health Care FSA and all Day Care FSA accounts will be administered by PayFlex Systems
What will be covered?

- Flexible Spending Account (FSA)
  - Healthcare
  - Dependent Day Care
  - Eligible / Ineligible expenses
- Reimbursement options
  - Submitting a claim online
  - Filing paper claims
  - The PayFlex Card
- Grace period (Healthcare FSA ONLY)
- Run out period
- Participant website
- Participants new to FSAs
- Contact information
An FSA is a Flexible Spending Account.

There are two types of FSAs:
- Healthcare
- Dependent Day Care

Both accounts allow you to contribute pre-tax dollars for eligible expenses for you, your spouse and/or your dependents.

You do not need to be covered by your employer’s health plan to participate in an FSA.

You don’t pay Federal income or Social Security taxes on this money and, in most states, you don’t pay state taxes either.

Therefore, you end up saving approximately $0.30 on every dollar you spend on eligible healthcare and dependent day care expenses!
How does a Healthcare FSA Work with Cash?

1. **Estimate** the expenses to be incurred during the plan year.
2. **Divide** the total amount by the number of pay periods.
3. **Complete** enrollment in HR Self Service during Open Enrollment.
4. The “per pay period” amount will be deducted from your paycheck (payroll schedule is determined by ER).

- **Your entire election amount** will be available at the beginning of the plan year.
- Participant **purchases** a prescription at Pharmacy with cash.
- Participant **keeps receipt** and accesses mypayflex.com to submit a claim via Express Claims.
- Participant scans Pharmacy receipt and uploads the PDF version.

- If enrolled in eNotify, an email will be sent to participant once claim has been **processed**.
- If claim is approved, participant will be **reimbursed** via direct deposit or check (reimbursement schedule is determined by ER).
- Claim will be posted on mypayflex.com and can be viewed within 48-72 hours.
How does a Healthcare FSA work with the PayFlex Card?

1. **Estimate** the expenses to be incurred during the plan year.
2. **Divide** the total amount by the number of pay periods.
3. **Complete** enrollment in HR Self Service during Open Enrollment.
   - The “per pay period” amount will be deducted from your paycheck (payroll schedule is determined by ER).

   - **Your entire election** amount will be available at the beginning of the plan year.

4. Participant **purchases** a prescription at Pharmacy with PayFlex Card.
5. The amount of the expense is **automatically** deducted from participant’s healthcare FSA.
6. Participant **saves** the Pharmacy receipt, in case of an IRS audit.

   - Transaction is posted on mypayflex.com at the point-of-sale.
## Tax benefits of an FSA

**Reduce your taxes**

**Increase your take-home pay**

### Annual Tax Savings

<table>
<thead>
<tr>
<th></th>
<th>FSA</th>
<th>Without an FSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Family Taxable Income</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>Healthcare Election Amount</td>
<td>($1,500)</td>
<td>$0</td>
</tr>
<tr>
<td>Dependent Day Care Election Amount</td>
<td>(3,000)</td>
<td>$0</td>
</tr>
<tr>
<td>Taxable Income After Election Amount</td>
<td>$45,500</td>
<td>$50,000</td>
</tr>
<tr>
<td>Estimated Taxes (Federal &amp; SS)</td>
<td>$12,285</td>
<td>$13,500</td>
</tr>
<tr>
<td>Post-Tax Income</td>
<td>$33,215</td>
<td>$36,500</td>
</tr>
<tr>
<td>After-Tax Dollars Spent</td>
<td>$0</td>
<td>($4,500)</td>
</tr>
<tr>
<td>Post-Tax Income</td>
<td>$33,215</td>
<td>$32,000</td>
</tr>
<tr>
<td><strong>Savings</strong></td>
<td><strong>$1,215</strong></td>
<td><strong>$0</strong></td>
</tr>
</tbody>
</table>
Healthcare FSA
How much can I set aside?

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Healthcare Minimum</td>
<td>$100</td>
</tr>
<tr>
<td>Healthcare Maximum</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

This account is used to pay for eligible healthcare expenses for you, your spouse and/or your dependents.
Eligible Healthcare Expenses
(View a complete listing @ www.mypayflex.com)

- Medical & dental deductibles, co-pays and co-insurance
- Prescriptions
- OTC medicines & supplies
- Hospital expenses
- Selected durable medical
- Orthopedic devices
- Eye glasses, contact lenses
- Saline/cleaning solutions
- LASIK surgery
- Hearing aids and batteries
- Orthodontic care
- Chiropractic expenses/co-pays
- Insulin, syringes for insulin
- Bridges, dentures, crowns
Eligible OTC Items
(View a complete listing @ www.mypayflex.com)

Certain over-the-counter medicines & supplies are eligible such as:

- Antacids
- Anti-fungal ointments
- Antiseptic ointments
- Cold & Allergy medicine
- Throat sprays
- Lozenges
- Nasal sprays
- Cough syrups
- Cough drops
- Eye drops
- Gas relief
- Hemorrhoid medications
- Laxatives
- Motion-sickness pills
- Pain relievers
- Arthritis pain
- Back / Head pain
- Sleep aids
- Stop smoking gums/patches
- Vapor rubs
Ineligible Healthcare Expenses
(View a complete listing @ www.mypayflex.com)

- Anti-bacterial soaps
- Acne treatments
- Dandruff shampoo
- Dry skin creams/treatments
- Foot care products
- Hair loss treatments
- Electrolysis – hair removal
- Cosmetic surgery
- Teeth bleaching
- Mouthwash
- Suntan/Sunscreen lotion
- Dietary supplements
- Supplements
- Varicose veins treatment
- Tattoo removal
- Herbal supplements
- Child birth classes

*A letter of medical necessity allows some of these expenses to be eligible*
How does a Dependent Day Care FSA work?

**Estimate** the dependent day care expenses to be incurred during the plan year.

**Divide** the total amount by the number of pay periods.

**Complete** enrollment in HR Self Service during Open Enrollment.

The “per pay period” amount will be deducted from your paycheck (payroll schedule is determined by ER).

Participant **pays** for 8 months of “after-school” care for their dependent who is under the age of 13.

After the dependent attends the “after-school” care, participant **submits a claim** online and uploads itemized statement from provider.

If enrolled in eNotify, an email will be sent to participant once claim has been processed.

If claim is approved, participant will be reimbursed via direct deposit or check (reimbursement schedule is determined by ER).

You can be ONLY get reimbursed up to the amount available in your account.

Claim will be posted on mypayflex.com and can be viewed within 48-72 hours.

- The PayFlex Card can also be used for eligible dependent day care expenses.
- If your expense is greater than the amount available in your account, simply use another form of payment and submit for reimbursement.
- Reimbursement will be provided once the next deposit is made into your DCFSA.
## Dependent Day Care FSA

### How much can I set aside?

<table>
<thead>
<tr>
<th>Dependent Care Minimum</th>
<th>$100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent Care Maximum</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

- $5,000 for single, head of household
- $5,000 for married, filing joint return
- $2,500 each for spouse filing separate returns OR each spouse is contributing to own FSA
This account is used to pay for day care expenses of a child under age 13 OR for the care of a dependent or spouse who is physically or mentally incapable of taking care of themselves.

You and your spouse, if married, must both work or be a full-time student in order to get reimbursed for eligible dependent day care expenses.

**Examples of Eligible Expenses:**

- Licensed day care provider
- In-home provider as long as the care provider is not your child under age 19, or someone you claim as a tax dependent
- Summer camps (not overnight)
- Tuition through preschool
- Before and after school care (up to age 13)
Ineligible Dependent Care Expenses
(View a complete listing & www.mypayflex.com)

- Tuition expenses for kindergarten and beyond
- Overnight camps
- Child care expenses for a child 13 or older (unless disabled)
- Child care expenses for night time babysitting
- Child care expenses while you are on an extended leave of absence
- Care provided by an older dependent or sibling
Reimbursement Options

- Express Claims – online claim submission
- Paper Claims – sent to PayFlex via fax or mail
- PayFlex Card – point-of-sale approval

Remember – reimbursement will only be provided for services incurred – not for services to be provided in the future
After logging into mypayflex.com, click on Express Claims

Available at www.mypayflex.com

SIMPLY enter expense type, date of expense and amount of expense.

To add additional claims, click Add Claim.

UPLOAD your itemized receipt or EOB.

After uploading your documents, you must check the Signature Box.

Enroll in eNotify to receive an email once your claims have been PROCESSED.

You can view your claim history via the Accounts link.

Use Express Claims, it's quick, easy and convenient!
Complete a claim form and submit to PayFlex via mail or fax:

**Mail to:** PayFlex Systems USA, Inc.,
Flex Dept. P.O. Box 3039
Omaha, NE 68103-3039

**Fax to:** 402.231.4310

Claim forms can be located @ [www.mypayflex.com](http://www.mypayflex.com) via the **Forms** link

Include itemized statement or an Explanation of Benefits (EOB) statement showing your out-of-pocket expense

File paper claims as often as you wish

Claims can be direct deposited to a checking or savings account, which you can designate online

For Dependent Day Care claims, make sure provider’s signature is legible
The PayFlex Card is a “Debit Card” that electronically accesses your FSA to pay for IRS-QUALIFIED expenses.

Where is the PayFlex Card accepted?
- Healthcare-related merchants, such as physician and dentist offices, vision care providers and hospitals
- Non-healthcare related merchants, such as grocery stores, discount stores, wholesale clubs, web-based merchants (ie.drugstore.com) that use an IRS-approved inventory information approval system (IIAS)
- Drug stores and retail pharmacies who have implemented an IRS-approved IIAS
- Dependent Day Care provides accepting MasterCard®

Advantages of the PayFlex Card
- Increase your personal cash flow
- Convenient and easy to use
- Expense is deducted from your FSA at the point-of-sale
- If an IIAS is in place, no supporting documentation will be required from PayFlex

Visit [www.mypayflex.com](http://www.mypayflex.com) for a listing of merchants accepting healthcare cards
Effective 7/1/2009, the PayFlex Card could be denied at a local drug store of pharmacy if an IIAS is not in place.

The merchant must have implemented an IIAS in order to use the PayFlex Card to work.

Most merchants have already implemented an IIAS:

- Costco, CVS, Kmart, Kroger, Safeway, Sam's Club, Target, Wal-Mart, and Walgreens are just a few of the merchants continuing to accept the PayFlex Card (A complete listings is available at mypayflex.com)

If a participant uses their card at a merchant with an IIAS, PayFlex will not request their receipt.

If an IIAS is not in place AND you are purchasing an eligible expense, you can use another form of payment and complete a claim form for reimbursement.
PayFlex Card Reminders

- Cards are mailed to your home address in a plain-white envelope
- To activate the card, simply swipe the card at the point-of-sale
- Participants must select “credit” even though it is similar to a debit card
- Make sure to check the expiration date on your card – you will not receive a new card until your card expires
- Merchant must accept MasterCard®
- Non-healthcare related merchants must have an inventory information approval system (IIAS) in order for the card to work
- Keep your receipts and Explanation of Benefits (EOBs)
You may receive a Request for Documentation letter during the plan year to verify that you used your card for an eligible expense.

Letters are sent four times during the plan year.

You must respond within 21 days of the date of the letter in order to keep your PayFlex Card active.

You have 3 response options:

- Fax or mail a legible itemized receipt or Explanation of Benefits for the expense(s) listed in the letter.
- Fax or mail a legible itemized receipt for another eligible expense in an amount = or > than the original expense.
- Mail in a check for the amount of the original expense to repay the plan.

Remember: If you use your card at a merchant with an IIAS, PayFlex will not request documentation at a later date.
Acceptable Forms of Supporting Documentation

Sample Itemized Receipt

Sample Explanation of Benefits (EOB)
Grace Period  
(Healthcare FSA ONLY)

How it works:

- The Grace Period allows you an additional 2 ½ months after the end of the plan year to incur eligible healthcare expenses.

- This means you have until March 15 to spend your healthcare FSA dollars.

- Healthcare expenses incurred during the Grace Period will be paid out of “prior” plan year reducing the available balance first.

- After your prior plan year balance is exhausted, the remaining claims will be applied toward the current plan year.

- Participants can still use the PayFlex Card for healthcare expenses incurred during the Grace Period.
The Run Out Period provides additional time to submit claims for reimbursement.

This means you have until April 15 to submit claims to PayFlex for expenses incurred during the plan year.

Any amount left in your account after the end of the run out period, will be forfeited.

**Difference between Grace Period & Run Out Period**

- Grace Period allows you to *incur eligible healthcare* expenses up until March 15
- Run Out Period allows you to *submit healthcare & day care* claims up until April 15
Accounts- access your account information, view transactions, and check the status of a claim
Debit Cards- view your debit card status and order additional debit cards
Documents- view your Express Claim coversheets, uploaded Express Claim documents, EOBs
My Info- access your username, password, security question & answer, email address, and option to set up for e-Notify to receive email confirmation of processed claims
Direct Deposit- enroll in direct deposit and remove or change your bank account information
Express Claims- submit your claims online and upload or fax your supporting documentation
Education Tools- enrollment materials, expense planning worksheets, FSA tutorial and savings calculator
Eligible Expense Items- listing of eligible/ineligible expenses
FSA Calculator- savings calculator to help you estimate your election amount
Forms- claim form, direct deposit form, letter of medical necessity, enrollment form, IRS Form 2441 (for dependent care), and IRS publications
FAQs- frequently asked questions on everything you need to know about your FSA
Contact Us- provides you with the PayFlex claims address, overnight address, toll-free number, and the PayFlex fax number for claims
Participants New to FSAs

Do you pay for co-pays, deductibles, prescriptions, over-the-counter medicines, glasses, contacts, etc?

- If your answer is YES – an FSA is your Key to Tax Savings!

- If in doubt, elect a small amount!

- Be conservative with your election amount.

- **Remember**: The PayFlex Card & mypayflex.com makes an FSA easy to use and always available!
Contact Information

Claims Address:
PayFlex Systems USA, Inc.
P.O. Box 3039
Omaha, Nebraska 68103-3039

Customer Service Center: 800.284.4885
Hours: 7 am – 7 pm CT

Integrated Voice Response System: 800.284.4885
Available 24 x 7

Paper Claims Fax: (402) 231.4310
Express Claims Fax: (866) 932.2567
Participant Website: www.mypayflex.com
Questions???