Flexible Spending Arrangement

Enrollment Guide

Save 25 - 40% on your eligible expenses!

*USE PRE-TAX DOLLARS TO PAY FOR DAY CARE AND OUT-OF-POCKET MEDICAL EXPENSES*

Figuring out your benefits can be confusing....
We’ll help you put the puzzle together!

VISIT US ON THE WEB
www.flex-plan.com

CALL US
(800) 669-FLEX(3539)
(425) 452-3500
Monday – Friday
6AM – 6PM PST

E-MAIL US
customerservice@flex-plan.com
A Flexible Spending Arrangement (FSA) enables you to set aside money on a pre-tax basis to pay for your out-of-pocket health and day care costs. There are three components to your plan:

**Premium Conversion** allows your company-sponsored benefits to be deducted pre-tax from your paycheck to be paid to the insurance carrier.

**Health Care FSA** reimburses out-of-pocket health care expenses for you and your tax dependents.

**Day Care FSA** reimburses day care expenses for your dependent child or elder care expenses.

**TAXES 101**

Before we go into the details of how an FSA works, here’s a quick introduction to how taxes work.

The federal government takes about 30% of each dollar that you earn in FICA and federal income tax, and you take home the remaining 70% to use for your living expenses.

With an FSA, you can set aside money from your paycheck, before the federal government takes their 30%, to pay for medical and day care expenses.

Let’s look at an example of how you save:

Employees A and B both earn $35,000 per year after exemptions and standard deductions. They both also pay $2,400 per year for medical expenses.

<table>
<thead>
<tr>
<th>Employee A</th>
<th>Employee B</th>
</tr>
</thead>
<tbody>
<tr>
<td>35,000</td>
<td>35,000</td>
</tr>
<tr>
<td>-7,092</td>
<td>-2,400</td>
</tr>
<tr>
<td>27,908</td>
<td>32,600</td>
</tr>
<tr>
<td>-2,400</td>
<td>-6,548</td>
</tr>
<tr>
<td>25,508</td>
<td>26,051</td>
</tr>
<tr>
<td>$2,125</td>
<td>$2,170</td>
</tr>
<tr>
<td>Monthly Pay</td>
<td>Monthly Pay</td>
</tr>
</tbody>
</table>

Without FSA

With FSA

Employee B saves $45 per month using an FSA — that’s $540 per year in savings!

**TAX RATES**

The federal income tax rates change on a yearly basis. In addition to federal income tax, you may also have a state income tax. FSA deductions are exempt from FICA, and federal income tax. Although each state differs, deductions are typically exempt from most state and local taxes as well.
HOW DOES IT WORK?

- During your employer’s open enrollment period, estimate your expenses for the plan year and enroll in an FSA for that amount.

- Your election will be deducted from your paycheck throughout the plan year pre-tax, so you don’t pay FICA (7.65%), Federal Income Tax (10-35%), and possibly state & local taxes on your elected dollars.

- You cannot change your election after the plan year starts unless you experience a Qualifying Event. Common qualifying events include birth, death, adoption, marriage or divorce. Your election change must be consistent with the qualifying event.

- You must claim all elected funds by the end of the run-out period. Money left in the plan after the end of the run-out period cannot be refunded to you; this is referred to as the Use-it or Lose-it rule.

HOW DO I GET REIMBURSED?

- Submitting claims for reimbursement couldn’t be easier! Your claims can be submitted online, through our phone app, via email, fax, or mail. No matter how you choose to submit your claims, you will need to include documentation to verify each expense.

  - For each claimed expense, documentation must show the date of service, cost, and the type of expense you are claiming. Bills from your providers or statements from your insurance company are typically perfect forms of documentation. Do not submit copies of canceled checks or credit or debit card receipts.

  - Expenses must be incurred during the plan year and while you are an active participant in the plan.

  - Any expense incurred prior to your effective date in the plan cannot be reimbursed.

  - An expense is “incurred” when the medical care is provided or the eligible item is purchased – not when you are formally billed, charged, or when you pay for the medical care.

Your claim will be processed within a few days and a reimbursement will be issued according to your employer’s reimbursement schedule. Specific information regarding your reimbursement schedule and method will be sent with an enrollment confirmation after your election has been processed.

FLEX-PLAN.COM

Our website is full of useful tools and information:

- Research eligible expenses
- Obtain forms
- View general information about FSAs
- Use the Tax Savings Calculator
- Submit Claims

Once you are enrolled in the plan, you can register and view your personal plan info, including claims details.

THE FLEXI-APP

The Flexi-App is free to download on both iPhone and Android. With the App you can:

- Take photos of receipts to submit claims
- View account balances and history
- Receive alerts when your claims are processed and reimbursed
HEALTH CARE FSA

The Health Care FSA (HCFSA) is a **pre-funded** benefit. This means you have access to your full annual election amount at any time during the plan year—regardless of how much you have contributed. Think of the HCFSA as a tax-free, interest-free loan to help you pay for those larger medical expenses, and as a savings tool for all your regular medical expenses throughout the plan year.

**TIPS**

Estimating future expenses is an important step as you prepare to enroll in an FSA. The more accurate you are in estimating your expenses the better the plan will work for you. Here are some tips:

- Look in your medicine cabinet.
- Request a patient ledger from your pharmacy of your prior year’s prescriptions.
- Request an annual statement from your insurance company.

After you locate these documents, take into account that the HCFSA can also be used for your spouse and tax dependent(s), even if not covered by your employer’s insurance plan.

<table>
<thead>
<tr>
<th>Health Care Expense Estimation Worksheet (see the reverse for a detailed list of eligible items)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chiropractic Visits</strong></td>
</tr>
<tr>
<td><strong>Dental Care (routine checkups, fillings, etc.); Orthodontics</strong></td>
</tr>
<tr>
<td><strong>Eye Care: Exams, prescription glasses, contacts, solutions</strong></td>
</tr>
<tr>
<td><strong>Insurance Copays and Deductibles</strong></td>
</tr>
<tr>
<td><strong>Laser Eye Surgery and procedures</strong></td>
</tr>
<tr>
<td><strong>Over-the-Counter Items</strong></td>
</tr>
<tr>
<td><strong>Prescription drugs</strong></td>
</tr>
<tr>
<td><strong>Routine Exams</strong></td>
</tr>
<tr>
<td><strong>Additional Eligible Expenses</strong></td>
</tr>
<tr>
<td><strong>Annual Total</strong></td>
</tr>
</tbody>
</table>

*Limited HCFSA typically only reimburses vision, dental and orthodontia expenses. Please see your Summary Plan Description for details.

WHAT HAPPENS IF I TERMINATE EMPLOYMENT?

If you cease employment during the plan year, you have some options. Consult your employer upon termination for more information, as each plan is different.

- **STOP** – Your final paycheck will have the normal deduction and your participation will cease. You may be reimbursed only for services incurred on or before the termination date.
- **ACCELERATE** – You can authorize your employer to take future deductions from your final paycheck. This final deduction will be pre-tax and you can participate in the plan to the extent contributions are made.
- **COBRA** – Under certain circumstances, you may be eligible to continue participation on an after-tax basis through COBRA.

ORTHODONTIA

Unlike other HCFSA expenses which are deemed incurred when the services are rendered, orthodontia expenses are deemed incurred when paid. Therefore, only payments made during your eligibility period and plan year may be reimbursed. Proof of payment to an orthodontic provider is required for reimbursement. Payments made toward orthodontia in a previous plan year or before your eligibility period are not reimbursable.

STOCKPILING

IRS regulations prohibit you from purchasing an unusually large quantity of any item in any one transaction. It would be reasonable if you purchased two or three of the same item, but anything over three items would be considered stockpiling and will not be reimbursed.
WHAT’S ELIGIBLE?

A Health Care FSA covers a wide variety of expenses. We’ve assembled a list of common expenses that are eligible for reimbursement. Not all eligible items are on this list. For a more exhaustive list, visit our website at www.flex-plan.com.

ELIGIBLE HEALTH CARE EXPENSES

Items marked with an asterisk (*) are considered over-the-counter (OTC) medicines or drugs and require a prescription for reimbursement.

- Acne treatment*
- Acupuncture
- Allergy & Sinus medication*
- Antacids*
- Antibiotic ointment*
- Anti-diarrheal*
- Antifungal foot cream*
- Anti-gas medication*
- Anti-itch cream/gel*
- Antiseptic*
- Asthma treatment*
- Bandages/gauze
- Birthing classes or Lamaze
- Blood pressure monitor
- Braces (knee, ankle, wrist)
- Breast pump
- Burn cream*
- Chiropractic services
- Coinurance
- Cold / hot pack
- Cold sore treatment*
- Cold/cough medication*
- Compression stockings
- Contacts & solutions
- Contraceptives
- Crutches
- Deductibles
- Dental services
- Diabetic supplies
- Diaper rash ointment*
- Digestive Aids*
- Drug addiction treatment
- Ear wax removal kits*
- Eye drops
- Feminine Anti-Fungal/Anti-Itch*
- Fertility monitor
- Fertility treatment
- Flu shots
- Genetic testing
- Hearing aids & supplies
- Hemorrhoid medication*
- Hormone therapy
- Hospital fees
- Humidifiers
- Immunizations
- Incontinence supplies
- Individual counseling
- Insect bite treatment*
- Lab work
- Lactation Consultant
- Lactose intolerance pills*
- Laser eye surgery
- Laxative*
- Lice treatment products*
- Medical records
- Motion sickness relief*
- Nasal strips
- Naturopathic visits
- Orthodontia
- Orthotic inserts
- Oxygen and equipment
- Pain relievers*
- Parasitic treatment*
- Physical exams
- Physical therapy
- Pregnancy test
- Prenatal vitamins
- Prescription drugs
- Prescription glasses
- Reading glasses
- Respiratory Treatments*
- Saline nasal spray
- Sleep Aids & Sedatives*
- Sleep deprivation treatment
- Smoking cessation products*
- Smoking cessation programs
- Speech therapy
- Sterilization procedures
- Stool softener*
- Thermometer
- Throat lozenges*
- Vision care
- Walker
- Wart treatment*
- Wheelchair & repair
- X-rays
- Contacts & solutions
- Contraceptives
- Crutches
- Deductibles
- Dental services
- Diabetic supplies
- Diaper rash ointment*
- Digestive Aids*
- Drug addiction treatment
- Ear wax removal kits*
- Eye drops
- Feminine Anti-Fungal/Anti-Itch*
- Fertility monitor
- Fertility treatment
- Flu shots
- Genetic testing
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- Hemorrhoid medication*
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- Smoking cessation programs
- Speech therapy
- Sterilization procedures
- Stool softener*
- Thermometer
- Throat lozenges*
- Vision care
- Walker
- Wart treatment*
- Wheelchair & repair
- X-rays

ADDITIONAL DOCUMENTATION REQUIRED

Certain medical expenses are not reimbursable under a Health Care FSA unless a licensed health care practitioner states that the service or product is medically necessary. Flex-Plan will need a Letter of Medical Necessity (LMN) for these items to be reimbursed. The LMN is available on our website. Please note that certain expenses may require additional documentation to be reimbursed.

- Automobile modifications
- Braille books
- Breast augmentation
- Breast reduction
- Cosmetic procedures
- Home medical equipment
- Learning disability fees
- Lumbar support
- Massage therapy
- Mole removal
- Motorized scooter
- Nutritionist expenses
- Vitamins and supplements
- Weight loss programs

INELIGIBLE HEALTH CARE EXPENSES

The following expenses are not eligible under a Health Care FSA. Under no circumstances will the following items be reimbursed. Please do not submit claims for these items.

- Books
- Boutique practice fees
- COBRA premiums
- College insurance
- CPR classes
- Electrolysis/laser hair removal
- Face lift
- Finance charges
- Funeral expenses
- Gym membership
- Hair transplant
- Household help
- Hygiene products
- Illegal operations/substances
- Imported OTC items
- Imported prescriptions
- Insurance premiums
- Late fees
- Liposuction
- Marijuana
- Marriage counseling
- Massage chair
- Mattress
- Missed appointment fee
- Hair growth products
- Electric toothbrush/picks
- Teeth whitening
- Toiletries
- Veneers
- Warranties
THE FLEXI-CARD

DON’T WAIT FOR REIMBURSEMENT
Rather than filing a claim and waiting for reimbursement for your out of pocket eligible expenses, you can use the Flexi-Card to pay your provider directly for qualified medical care expenses.

VALID MERCHANTS
The card is accepted at participating merchants using the Inventory Information Approval System (IIAS) and at medical care merchants using the MasterCard® system. This includes:

- Doctor Offices
- Dental / Vision Clinics
- Hospitals
- Mail Order Rx Programs
- Pharmacies and grocery stores*

* Merchants that have implemented IIAS have the ability to recognize when participants purchase FSA-eligible expenses. When you use your Flexi-Card to purchase items at these merchants you will not be required to substantiate your expense. For an extensive list of IIAS Participating Retailers please visit, www.flex-plan.com/news.aspx, and click on the following link:

  - IIAS Participating Retailers

Each time you swipe your Flexi-Card, the provider is paid on your behalf and the expense is deducted from your HCFSA balance. When you use your card for a copay or at an IIAS retailer, you will not be required to substantiate your charge. However, IRS regulations require you to substantiate certain expenses, so we have made it simple for you to comply with this requirement.

If any of your Flexi-Card charges require substantiation, a summary of your card activity for those charges will be emailed to you. In order to receive the Flexi-Card initially, you must provide a valid email address.

ADDITIONAL CARDS
Upon enrollment in the plan you will receive one card in your name. If you would like additional cards in the name of a spouse or eligible dependent you may request them through the participant portal located at www.flex-plan.com. There is a $5 reissue fee for all additional card requests.

CURRENT FLEXI-CARD HOLDERS
New cards will not be sent each year; instead the new plan year funds will be loaded to your existing cards once enrollment has been processed.

USING YOUR FLEXI-CARD FOR OTC MEDICINES AND DRUGS
To utilize your Flexi-Card to pay for over-the-counter (OTC) medicines and drugs at a drug store or pharmacy, you must present a prescription to the pharmacist, who then must dis pense the OTC medicine or drug in accordance with applicable law, assign an Rx number, and retain a record of the prescription.
If these steps are taken, the item will be considered fully substantiated at the point of sale and no further documentation will be required. However, if these steps are not taken, the Flexi-Card will not function when purchasing OTC medicines and drugs at drug stores and pharmacies.

SAVE YOUR RECEIPTS!
While most of your Flexi-Card purchases will not require substantiation, we recommend you always save your receipts and documentation.
DAY CARE FSA

Child care can be one of the single largest expenses for a family with children. A Day Care FSA (DCFSA) can be used to pay for your qualified day care expenses with pre-tax dollars. The provider can be a licensed day care facility or an individual.

WHAT ARE THE RULES?

There are some rules to consider before enrolling in a DCFSA:

- A DCFSA works like a bank account. Reimbursement cannot exceed the account balance.
- The expense must enable you and your spouse to work, actively look for work, or be a full-time student.
- Your dependent must live with you and must be 12 years old or younger. A dependent age 13 or older may be eligible if the dependent cannot physically or mentally care for him/herself.
- The day care provider cannot be a parent of the child, a dependent on your tax return or your child under the age of 19.

CALCULATING YOUR ELECTION

The DCFSA limit is set by the IRS and is a calendar year limit of $5,000 per household. If your plan year is not on a calendar year, take extra care in calculating your annual election.

<table>
<thead>
<tr>
<th>Day Care Expenses Estimation Worksheet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before/After School Care</td>
</tr>
<tr>
<td>Elder Day Care</td>
</tr>
<tr>
<td>Pre-School</td>
</tr>
<tr>
<td>Day Care, including summer day camp fees</td>
</tr>
<tr>
<td>Annual Total</td>
</tr>
</tbody>
</table>

Some types of expenses are not eligible. These include tuition for school at the kindergarten level or above, overnight camp, nursing home expenses, meals, activity/supply fees and transportation costs. Montessori tuition for kindergarten and elementary school is not allowable; however, charges from a Montessori school for preschool or before and after school care are allowable.

FSA OR CHILD CARE TAX CREDIT?

Wondering if a DCFSA is better for you than the child care tax credit?

Visit the Participant page on our website www.flex-plan.com and click the link “Tax savings calculator” to use an interactive tax calculator. (Password: purple81)

NOTE: Whether you choose to participate in the DCFSA or take the child care tax credit, you must file form 2441 with your taxes.

CHANGES

Similar to other benefits, you can only change your election if you experience a qualifying event. However, in addition to the normal list of qualifying events, there are some special events exclusive to the DCFSA:

- A change in your day care costs, such as a rate decrease or increase, or receiving free day care.
- A change in your need for day care (your spouse loses employment or has a change in work schedule).
- Your dependent ceases to satisfy the eligibility requirements.

WHAT HAPPENS IF I TERMINATE EMPLOYMENT?

If you terminate employment during the plan year, you can still access the funds in your DCFSA through the end of the plan year (even if the dates of service are after your termination date), as long as the expenses for care allow you to look for work or work full-time.