



Flexible Spending Accounts Tax Savings You Can Bank On



Highlights

Flexible Spending Accounts

Flexible Spending Accounts (FSAs) are a convenient, before-tax way to pay for eligible out-of-pocket health care expenses, as well as dependent care expenses. Money from each paycheck is deposited into your account(s) before federal income, Social Security and Medicare taxes are withheld. You are then reimbursed for eligible expenses using before-tax dollars from your account(s). Of course, participation in the plans is totally voluntary.

Effective date

The Unreimbursed Medical and Dependent Care FSAs are plan-year programs. Employees currently eligible for these programs must enroll during the Open Enrollment period. New employees can join the plans once they satisfy their employer's waiting period.

Contribution amount

You can contribute up to the specified maximum each plan year in the Unreimbursed Medical FSA Account and up to \$5,000 each plan year in the Dependent Care FSA Account, regardless of when you first become eligible during the year.

Reimbursements

Reimbursement checks are mailed to your home address or can be directly deposited into your bank account.

Please contact your employer for details on your run-off period and to determine if your employer has adopted the rollover or grace period option allowed by the IRS. Funds not used are forfeited unless your employer has adopted the rollover option. This means, you must *use it or lose it*.

Changing or terminating participation

Your election must remain in effect for the plan year. You may change your election during the plan year only under certain circumstances (e.g., a qualified change in status) defined by the IRS and allowed by your employer. Participation terminates each plan year. **You must re-enroll in the plans each plan year.**

Unreimbursed Medical

What if I have an out-of-pocket health care expense?

The Unreimbursed Medical FSA plan is an opportunity for you to pay for out-of-pocket health care (medical, dental and vision) expenses incurred by you and your family members with before-tax dollars. This may be the only tax advantage available to you for these kinds of expenses. Few people can ever qualify to deduct these expenses on their tax returns.

What's eligible?

Expenses eligible for reimbursement include:

- Medical fees (for example, copayment, coinsurance, deductible).
- Annual physical examinations.
- Dental examinations.
- Contact lenses and solutions.
- Diabetic supplies.
- Eyeglasses.
- Eligible over-the-counter drugs.

- Prescription drugs (except cosmetic prescriptions).
- X-rays/lab fees.
- Hospital services.
- Chiropractor's fees.
- Hearing aids and their batteries.
- Surgery.
- Ambulance service.
- Dentures.
- LASIK eye surgery.
- Smoking cessation programs and prescriptions.
- Psychiatrist's and psychologist's fees.
- Acupuncturist's fees.
- Orthodontia.*
- Periodontics.
- Orthopedic shoes/orthotics.
- Durable medical equipment.
- Travel to and from a physician's office.
- Weight loss programs (requires a physician's note).

* Can only be paid from the FSA in the year(s) treatment occurs. If treatment is over and you still have a balance, you **can not use** your FSA funds.

Not eligible

Expenses that are not eligible for reimbursement through the Unreimbursed Medical FSA include:

- Expenses incurred before you become eligible to participate in the account.
- Expenses incurred after your termination date.
- Expenses that are paid by your health insurance. Only necessary medical and dental expenses NOT paid by health insurance will be reimbursed under the Unreimbursed Medical FSA.
- Expenses for cosmetic surgery.
- Insurance premiums.
- Cosmetic prescriptions.
- Teeth whitening.
- Vitamins.
- Gym memberships.

How It Works

- Money is withheld from your salary and deposited into your account.
Minimum: Determined by your employer.
Maximum: Determined by your employer.
- You incur out-of-pocket health care expenses.
- You receive a receipt and an Explanation of Benefits (EOBs) from your insurance carrier.
- You file a claim online at HorizonBlue.com/FSA, or by submitting a completed claim form to:
Horizon BCBSNJ
P.O. Box 1369
Newark, NJ 07101-1369
Fax: 1-973-274-2215 or 1-973-274-4185
- You receive reimbursement from your account.

Dependent Care

Do I need a Dependent Care FSA?

- Do you have children under age 13 years who are in day care/after-school programs or summer camp while you work?
- Do you pay for the care of disabled dependents so that you can work?

If you answered yes to either of the above questions, then the Dependent Care FSA may be right for you.

What's eligible?

You can use the Dependent Care FSA to pay yourself back with before-tax dollars for day care expenses incurred for your children under age 13 years, or for any other person considered your dependent for tax purposes who is physically or mentally incapable of self-care, regardless of age.

Eligible expenses

Expenses eligible for reimbursement through the Dependent Care FSA include:

- Dependent care (including wages and related taxes) provided in your home by a babysitter, housekeeper or relative who is not your dependent.
- Dependent care provided outside your home, including qualified day care, day camp or other outside dependent/child care services, such as before- and after-school programs.
- Payment made for dependent care services outside your home for a dependent who spends an average of eight hours a day in your home.
- Preschool/nursery school.

Generally, eligible child care costs include only those for the actual care of your dependent, not costs for education, supplies or meals - unless those costs cannot be separated.

Refer to IRS Publication 503 for a complete list of eligible expenses at irs.ustreas.gov.

Not eligible

Expenses that are not eligible for reimbursement through the Dependent Care FSA include:

- Dependent care provided by another dependent or your child under age 19.
- Dependent care obtained for non-work-related reasons.
- Expenses for overnight camp.
- Dependent care expenses incurred if your spouse does not work, unless your spouse is a full-time student or disabled.
- Any expenses you claim for the dependent care tax credit on your federal income tax return.
- Care provided in a group care center that does not comply with state and local laws.
- Costs for after-school educational programs (e.g., tutoring).
- Educational expenses (such as private school) for kindergarten or higher.
- Expenses incurred before you become eligible to participate in the account.

Federal Tax Credit vs. Dependent Care FSA

Federal Tax Credit vs. Dependent Care FSA: Which is right for you?

Your federal income tax return allows you to take a credit for dependent care expenses. Generally speaking, the Dependent Care FSA provides more tax savings than the federal tax credit. Keep in mind that you save tax dollars no matter which option works better for you.

Comparison

You should consider whether using the federal tax credit for dependent care expenses can save you more in taxes than using the Dependent Care FSA.

Because you cannot claim the same expenses in both places, your choices are:

- Claim your eligible dependent care expenses under the dependent care tax credit on your federal income tax return, or
- Use the Dependent Care FSA for reimbursement of your eligible dependent care expenses.

Please visit [HorizonBlue.com/FSA](https://www.horizonblue.com/FSA) for an online worksheet to compare the Dependent Care FSA vs. the Federal Child Care Credit.

The dependent care tax credit's higher limit on qualifying expenses changed how the tax credit and Dependent Care FSA interrelate. An employee with two children and \$6,000 annually in dependent care expenses will be able to use both the Dependent Care Credit and Dependent Care FSA.

The employee will first optimize participation in the Dependent Care FSA at \$5,000 and then take the Dependent Care Credit on the remaining \$1,000 (\$6,000 reduced by FSA deferrals of \$5,000) of eligible expenses.

Tax savings

When you establish a Dependent Care FSA, the money you contribute to your account is free from federal income, Social Security, state and Medicare taxes and remains tax free when you receive it. This results in savings for you!

Getting started is easy. First, estimate how much you will spend on dependent care for the plan year. Based on the amount you elect, contributions will be taken out of your paycheck each pay period throughout the plan year. Then, you file a claim for the expense and are reimbursed from your account. You are reimbursed up to your account balance at the time of reimbursement. If there is an outstanding balance, this will automatically pend until additional payroll deductions are accrued.

It's important to remember, however, that expenses eligible for reimbursement through the Dependent Care FSA are the same expenses that are eligible for tax credit on your federal income tax return. You will have to decide which method is better for you based on your income and personal tax status.

How It Works

- Money is withheld from your salary and deposited in your account.
Minimum: Determined by your employer.
Maximum: \$5,000 per plan year.
- You incur dependent care expenses.
- You file a claim online at [HorizonBlue.com/FSA](https://www.horizonblue.com/FSA), or by submitting a completed claim form to:
Horizon BCBSNJ
P.O. Box 1369
Newark, NJ 07101-1369
Fax: 1-973-274-2215 or 1-973-274-4185
- You receive reimbursement from your account.

Worksheet

Unreimbursed Medical FSA

List the amount you spent for:	Prior Year Actual Expenses	Projected Expenses
Deductibles/coinsurance/copayments	\$	\$
Eligible over-the-counter drugs with a prescription ¹	\$	\$
Vision care/LASIK eye surgery (eye exams, contact lenses and solutions and eyeglasses)	\$	\$
Routine exams if not covered by insurance (Ob/Gyn, well visits, etc.)	\$	\$
Prescription drugs (Does not include cosmetic prescriptions)	\$	\$
Chiropractor/Acupuncturist/Mental health visits	\$	\$
Travel costs related to medical care	\$	\$

List the amount you spent for out-of-pocket dental expenses:

Examinations, cleanings and X-rays	\$	\$
Fillings, crowns and bridges	\$	\$
Orthodontics	\$	\$
Dentures, implants, periodontics	\$	\$
	Total \$	Total \$
Projected Unreimbursed Medical FSA Deposit	\$	\$

Dependent Care FSA

	Prior Year Actual Expenses	Projected Expenses
Dependent care services provided in your home ²	\$	\$
Day care center	\$	\$
Preschool/nursery school	\$	\$
Before- and/or after-school care	\$	\$
Summer day camp facility	\$	\$
	Total \$	Total \$
Projected Dependent Care FSA Deposit	\$	\$

¹ Most of these eligible drugs will require a prescription to be reimbursable.

² Must provide taxpayer ID.

Rules for Unreimbursed Medical and Dependent Care FSAs

IRS rules for Unreimbursed Medical and Dependent Care FSAs

Unreimbursed Medical

- Expenses must, unless your employer had adopted the rollover option or grace period, be incurred during the plan year.
- The amount you contribute into the account can ONLY be applied for services performed or materials purchased during the plan year unless your employer has adopted the rollover or grace period option allowed by the IRS.
- If your expenses are covered by a health care plan, you must attach a copy of the Explanation of Benefits (EOB) from the insurance carrier when you submit an Unreimbursed Medical FSA claim.
- Medical and dental expenses paid with your Unreimbursed Medical FSA reimbursement cannot be claimed as a deduction for federal income tax purposes.

Dependent Care

- Your total contribution to the Dependent Care FSA cannot be greater than your earned income or your spouse's, whichever is lower. For example, if your spouse's salary is \$4,000 and your salary is \$30,000, the most you can contribute is \$4,000.
- If you and your spouse file a joint income tax return and both have a Dependent Care FSA, your total combined limit is \$5,000 per plan year. Likewise, if you and your spouse file separate income tax returns, your individual Dependent Care FSA limit is \$2,500. If you are single with an eligible dependent, you can elect up to \$5,000 per plan year.
- You must report the name, address and Social Security number or taxpayer ID number of each dependent care provider when you submit a Dependent Care FSA claim.

Making changes during the year

To qualify for the special tax treatment of the FSA programs, you cannot make changes in your election amount during the plan year unless you experience a qualified change in status or certain other events recognized by the IRS. Changes in family status include:

- Marriage or divorce.
- Birth or adoption of a child.
- Death of a spouse or dependent.
- Termination of your or your spouse's employment.
- Switching from part- to full-time or from full- to part-time employment status by you or your spouse.
- Significant change in your spouse's health coverage due to change in employment.
- Unpaid leave of absence by you or your spouse.
- Residence change.

If money is left over

Make sure you estimate accurately how much you will spend during each plan year. If you overestimate how much you'll spend, federal rules state that you must forfeit any amount that's left in the account at the end of the plan year, unless your employer has elected the grace period or rollover option allowed by the IRS. If your employer elects the grace period option, any eligible expenses incurred during the grace period elected by the employer, may be reimbursed from the balance that remains in your account. If your employer elects the rollover option, the amount remaining in your account at the end of a plan year (up to the amount elected by your employer, not to exceed \$500) can be used to cover eligible expenses incurred during the following plan year.

Enrollment and Filing Claims

Filing claims

When you incur an eligible expense for the Unreimbursed Medical or Dependent Care FSA, submit a signed claim form along with the required backup documentation to:

Horizon BCBSNJ
P.O. Box 1369
Newark, NJ 07101-1369

Participants can also visit our website at HorizonBlue.com/FSA to file FSA claims electronically.

The minimum amount for which you are reimbursed is \$25 (except when annual election minus claims paid is less than \$25). All reimbursement checks are mailed to the participant's home address. Employees also have the option to elect direct deposit of FSA reimbursements into a checking or savings account.

The maximum amount available for reimbursement during the plan year for the Unreimbursed Medical FSA is the annual election (minus claims paid).

You must have enough money in your Dependent Care FSA to cover the amount of your claim(s) before full payment occurs. For example, if your account balance is \$150 and you submit child care expenses of \$275, you would receive a check for \$150. The \$125 balance would automatically be paid as soon as you accumulate more money in your Dependent Care FSA.

Should you enroll?

The worksheet included in this booklet can help you calculate how much of your annual salary you would like deducted and allocated to the Unreimbursed Medical and/or Dependent Care FSA.

Because you are not paying Social Security tax on the portion of your income deposited into your spending account(s), your Social Security benefits may be slightly reduced. However, the tax savings you gain will more than offset any such reduction in your Social Security benefits.

Available Services

Interactive Website

Horizon Blue Cross Blue Shield of New Jersey offers secure online services at HorizonBlue.com/FSA.

- **Online Worksheets**
 - Dependent Care vs. Federal Tax Credit.
 - Unreimbursed Medical Worksheet.
- **Online Account Balance Inquiry**
 - Receive up-to-date account balance information online.
- **Online Claim List**
 - Provides information on the most recent claims submitted.
- **Online Payment List**
 - Details the most recent FSA payments issued from your account(s).
- **Online Claim Entry Module**
 - Submit your Unreimbursed Medical and Dependent Care claims over the Internet.
- **Downloadable Forms**
 - Download Flexible Spending Account forms and print:
 - FSA Election Form.
 - Direct Deposit Enrollment.
 - Change in Status and more!

Payment Option

Direct Deposit

Participants can elect direct deposit FSA reimbursements into a checking or savings account.

Fax Service

Fax your Unreimbursed Medical and Dependent Care claims to our office at 1-973-274-2215 or 1-973-274-4185.

24-hour Voice Response System

Account Balance Inquiry

To receive up-to-date account balance information call 1-800-224-4426.



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