

FLEXIBLE SPENDING ACCOUNT

Flexible Spending Accounts are a provision of the Section 125 tax law that allows you to deposit a portion of your gross income tax into a spending account which is used to pay for medical, dental and vision expenses as well as daycare expenses. You save 25% – 40% on federal, state and FICA (Social Security) taxes on the money that you set aside.

Administered by:

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Why use a flexible spending account?

Think of your pretax spending account as a savings account that you contribute to on a **pretax** basis which will reimburse you for your family's out-of-pocket medical, dental and vision expenses and/or your daycare expenses. Each pay period, you allocate a predetermined sum of your gross income to deposit into your reimbursement account. When you have an out-of-pocket expense, you are reimbursed from your flexible spending account. There are two types of accounts available: Medical and Dependent Care.

Possible Savings Using FLEX Accounts

	With FLEX Accounts	W/O Flex Accounts
Annual Gross Income	\$25,000.00	\$25,000.00
Med. Acct. Contributions	(1,200.00)	0.00
Day Care Contributions	(5,000.00)	0.00
Taxable Income	18,800.00	25,000.00
Estimated Taxes (25%)	(4,700.00)	(6,250.00)
Out-of-Pocket Medical	0.00	(1,200.00)
Dependent Care	0.00	(5,000.00)
Net Disposable Income	\$14,100.00	\$12,550.00

Increase in Disposable Income - \$1,550.00

Medical Reimbursement Account

- Designed to pay for expenses such as deductibles, co-payments, dental work, orthodontics, eye exams, glasses, lasik surgery, prescription drugs, over-the-counter medications, and other related expenses not covered by an employer's benefit plan.
- The account is open to your spouse and dependents regardless of whether they are covered by any other benefits offered by your employer.

Dependent Care Reimbursement Account

- You may be reimbursed up to \$5,000 of day-care or dependent care expenses each plan year.
- Qualifying dependents are children under the age of 13, a disabled spouse or other dependents who are physically or mentally incapable of self-care.
- Both you and your spouse must work or one must be a full-time student.

How do flexible spending accounts work?

During the enrollment period each year, you must calculate your deposits for each flexible spending account by estimating what your out-of-pocket expenses will be for the coming year. The total of those expenses is divided by the number of pay periods during the plan year. That amount will be deducted from your gross pay each pay period (tax free) and deposited into your reimbursement account. When you have an expense, fill out a reimbursement form, attach your receipts and Explanation of Benefits from your insurance company, then mail them to Eagles and you will receive a check or direct deposit from your Flexible Spending Account. A summary of your account status will accompany each payment you receive.

You will also plan your daycare expenses for the coming year and divide that amount by the number of pay periods in the year. That amount will be deducted pre-tax from your paycheck. When you incur a dependent care expense, complete and return a No-Wait Dependent Care Reimbursement form and a check will be mailed or a direct deposit initiated to you. Please note that you will only be reimbursed up to the amount actually in your Dependent Care Spending Account. Any reimbursement requested beyond your current balance will not be paid until further contributions are received. Unlike the Medical Spending Account, the Dependent Care Spending Account cannot be overdrawn.

Special Rules

There are three rules that apply to the flexible spending accounts. First, the *use it or lose it rule* applies primarily to the medical spending account. Under this rule any unused amounts in your account at the end of the plan year are forfeited to your employer. You cannot convert this money to cash or roll it over the next plan year. You may submit claims from the current plan year through your grace period. This rule means you must be very careful when estimating the amount of money you allocate to your spending account.

The *status change rule* applies to both accounts. Once you submit your enrollment form with your payroll deduction amount, you can only change this amount during the yearly open enrollment period or if you have a family status change.

The third rule applies to the medical spending account only, and is one of the most attractive features of the plan. The medical spending account will reimburse you for the total amount that you have budgeted for the plan year regardless of the actual balance in your account. For example: If you budget \$1,200 for the year and two months into the plan year you have an expense of \$400, the plan will send you the \$400 even though you have contributed for only two months and have \$200 in your account. Your account will show a negative balance, which you will pay back each pay period with your deposits to the account.

Family Status Change Events

- Marriage, divorce or death of a spouse.
- Birth, adoption or death of a child.
- Spouse's employment or termination of a spouse's employment.
- An unpaid leave of absence for either the employee or the spouse.
- The employee or spouse changes work status from part time to full time, or full time to part time.
- Medical Reimbursement - Significant changes made to your health care plan or your spouse's health care plan.
- Dependent Care Reimbursement - The rate charged by your care provider changes or your dependent no longer requires care.

Keep track of your account balances

The EzFlex Plan website has everything you need to manage your Flexible Benefit Account.

- Verify your election
 - View your account balance
 - Print blank claim forms
- www.eaglesbenefits.cc

How to enroll

Contributions to your account(s) will be deducted from your paycheck. Once you elect coverage, it will continue for one year unless there is a change in family status, such as death, marriage, divorce or birth that requires you to modify your election.

You may only elect a Medical Flexible Spending Account one time per year. If you drop for any reason (i.e. LOA, transfer between facilities), you may not pick it up again within the same year. You may, however, elect it during Open Enrollment for the following play year.

The benefits described above provide only a limited and general overview of this plan. For a complete description of the plan provisions, please see a current copy of the summary plan description.

FLEX ACCOUNTS WORKSHEETS

▶ Calculating your medical account deduction:

This worksheet will help you determine the amount of money, if any, you wish to allocate to your Medical Reimbursement Account. You will need to consider very carefully what expenses you expect to have for the upcoming plan year. Review the expenses you normally have and any you can schedule for the upcoming plan year that are not covered at all or not covered in full by your medical plan. Remember that this account is for all family out-of-pocket expenses.

The federal tax deduction for excess medical expenses cannot be claimed for expenses that are reimbursed under this plan; however, this is not a factor for most employees since the requirements for the tax deduction are difficult to qualify for anyway. This plan allows for more savings than the tax credit.

Medical Expense Worksheet

Deductibles (your plan and your spouse's plan for medical, dental and/or vision)	\$ _____
Co-Payments (the amount you pay after insurance pays its portion)	\$ _____
Routine well visits (annual physicals, periodic check-ups and immunizations)	\$ _____
Dental expenses not covered by insurance	\$ _____
Vision expenses (cost of eye exams, glasses, contacts & supplies, frames, etc.)	\$ _____
Hearing expenses (cost of exam, hearing aids, etc.)	\$ _____
Annual PAP smear, mammogram, etc.	\$ _____
Birth control pills and other prescription drugs	\$ _____
Therapy/treatments (chiropractic, psychiatric, etc.)	\$ _____
Other	\$ _____
Total for this plan year	\$ _____
Divide by number of pay periods in this plan year	_____
Amount of deduction per pay period	\$ _____

If you are unsure about any of these expenses, be conservative and allocate only part of your total. Divide your total by the number of pay periods in the plan year and enter that amount on your enrollment form.

GUIDE TO ALLOWABLE MEDICAL EXPENSES

Miscellaneous Charges:

Deductibles and co-payments (medical and dental), X-rays, cost of computer storage of medical records, cost of special diet (but only if the tax payer can show that it is medically necessary and only to the extent that costs exceed that of a normal diet), expense of services connected with donating an organ.

Dental & Orthodontic Care:

Dental care, artificial teeth/dentures, cost of fluoridation of home water supply advised by a dentist, braces, orthodontic devices, routine and preventive care.

Vision Care:

Optometrist's or ophthalmologist's fees, eyeglasses, prescription sunglasses, insurance for replacement of lost or damaged contact lenses, contact lenses and supplies using saline, daily cleaner and enzyme tablets, and RK and Lasic surgery.

Prescription Drugs:

All prescription drugs including prescription vitamins, **weight loss pills**, and birth control pills.

Medical Equipment:

Wheelchair or autoette (plus cost of operation and maintenance), crutches (purchased or rented), special mattress and plywood boards prescribed to alleviate arthritis pain, oxygen equipment and oxygen used to relieve breathing problems that result from a medical condition, artificial limbs, support hose (if medically necessary), wigs (where medically prescribed), excess cost of orthopedic shoes over cost of ordinary shoes, diabetic supplies.

Hearing Expenses:

Hearing exam, aids and batteries

Psychiatric Care:

Services of psychotherapists, psychiatrists and psychologists, long distance telephone tolls for psychiatric counseling conducted over the phone, legal fees directly related to commitment of mentally ill person.

Fees & Services:

Physician's fees, obstetrical fees, hospital services, nursing services for care of a specific ailment, cost of a nurse's room and board if paid by the taxpayer where nurses services qualify, the Social Security tax paid with respect to wages of a nurse where nurse's services qualify, surgical or diagnostic services, services of chiropractors and osteopaths, dermatologist's fees, anesthesiologist's fees, gynecologist's fees.

Therapy Treatments:

X-ray treatments, treatment for alcoholism or drug dependency, acupuncture, vaccinations, electrolysis (if medically necessary), fee to use swimming pool if prescribed by a physician to alleviate specific medical condition (such as rheumatoid arthritis), speech therapy.

Physicals:

School and work physicals, annual wellness exams.

Assistance for the Handicapped:

- Cost of a guide for a blind person.
- Cost of a note-taker for a deaf child in school.
- Braille books and magazines in excess of cost of regular editions.
- Seeing eye dog or horse (purchase, training and maintenance).
- Hearing trained cat or other animal to assist deaf person (purchase, training and maintenance).
- Special devices such as tape recorder typewriter for a blind person and visual alert system for deaf person.
- Cost of device for lifting handicapped person into an automobile.
- Excess costs of specifically equipping automobile for handicapped person over cost of an unequipped like vehicle.

Calculating your dependent care account deduction:

This worksheet will help you plan the appropriate amount to set aside in your pre-tax reimbursement account. As you complete the worksheet, remember to exclude any time when you do not have normal dependent care expenses (i.e., vacation, holiday, and sick days).

Dependent Care Expense Worksheet

First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
January	_____	April	_____	July	_____	October	_____
February	_____	May	_____	August	_____	November	_____
March	_____	June	_____	September	_____	December	_____
Quarter Total	\$_____	Quarter Total	\$_____	Quarter Total	\$_____	Quarter Total	\$_____

Total dependent care expenses for this plan year \$_____

Divide by the number of pay periods _____

Amount of deduction per pay period \$_____