



Cafeteria Plan FAQ's

Health Care Reimbursement Accounts

Dependent Care Reimbursement Accounts

Health Care and/or Dependent Care Reimbursement Accounts are benefit plans that can help you manage your out-of-pocket expenses and **also** realize Federal, State and Social Security tax savings. As a participating employee, you can expect to realize an average tax saving of 30% on your annual contributions to the plans.

Reimbursement Accounts are benefit options that allow you to direct a portion of your pay **on a pre-tax basis** into Accounts that can be used throughout the plan year to pay certain out-of-pocket health care and/or dependent care expenses. In other words, money that goes into your Reimbursement Account(s) is taken from your paycheck **before** Federal, State and Social Security taxes are withheld, so you reduce both your taxable income and the amount you pay in taxes each year. You then use the tax-free dollars from the Reimbursement Account(s) to pay for eligible expenses.

Health Care Reimbursement Accounts

The Health Care Reimbursement Account operates on a plan year basis. Each year you decide whether to participate in the Health Care Reimbursement Account. Then you estimate the amount of eligible expenses you and your dependents will likely incur, and from this amount, determine how much you would like to set aside in the Health Care Reimbursement Account.

The amount you designate will be deducted in equal installments from your paycheck throughout the year and will be deposited in the Reimbursement Account. As you incur eligible expenses during the course of the year, submit them to the Plan Administrator, HRPro, for the eligible expense and you'll be reimbursed with tax-free money.

Claims may be submitted throughout the plan year. In no event will total reimbursement exceed your annual election.

What types of expenses are eligible?

Any expenses that are not covered by the health benefit plan can be submitted for reimbursement. For example, you may elect to enroll in a health plan option that contains an annual deductible. If so, consider depositing money in the Health Care Reimbursement Account so you can be reimbursed for the deductible with tax-free dollars. If you believe you will incur out-of-pocket expenses because of a medical plan options' coinsurance feature, then consider depositing funds into the Health Care Reimbursement Account so you can be reimbursed for your coinsurance with tax-free dollars. Again, this determination must be made prior to the beginning of the Plan Year.



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There are many related expenses that you incur which can be reimbursed with tax-free dollars. Below is a partial list:

- Medical/Dental/Vision Plan Deductibles/Coinsurance and Office/Prescription Co-pays
- Preventive and Routine Physicals for Adults
- Preventive Care and Immunizations for Children
- Mileage to and from Doctor's Office
- Contact Lenses/Prescription Eyeglasses/Vision Exams
- Psychotherapy Expenses
- Alcohol/Drug Treatment
- Chiropractor's Fees and Physical Therapy Fees
- Orthodontic (Braces) Fees

Dependent Care Reimbursement Accounts

The Dependent Care Reimbursement Account reimburses you for eligible dependent care expenses with tax-free dollars. This will be a very valuable benefit plan to those employees with children or dependent parents.

You are eligible for this plan if you incur dependent care expenses because you, or, if you are married, you and your spouse work.

Eligible dependents are defined as follows:

- Your dependent children under the age of 13; and
- A spouse, child or other dependent who is disabled and living with you who you claim as a dependent on your income tax and who is incapable of caring for themselves.

Expenses you may claim and be reimbursed with tax-free dollars include:

- Wages paid to a babysitter, whether the care is provided in or outside of your home. However, the babysitter may not be someone you claim as a dependent on your tax return and must be over 18 years of age. Expenses for a babysitter can only be used for services provided during regular working hours. Babysitting for social events is not eligible for reimbursement.
- Services of a day care center or nursery school, providing the center complies with state and local laws.
- Cost for care at facilities away from home, such as family day care or adult day care centers, as long as the dependent returns home for at least eight hours of a 24-hour day.
- Wages paid to a care giver/home aide for providing care for an eligible dependent.
- Any other qualified dependent care expenses as defined by the IRS.



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QUESTIONS & ANSWERS

1. What is the maximum amount I can contribute to the Health Care Reimbursement Account and the Dependent Care Reimbursement Account.

- You may allocate as much as the maximum listed on your election form for your plan year income into your Health Care Reimbursement Account.
- The maximum you may allocate to the Dependent Care Reimbursement Account is \$5,000.

2. What should I take into consideration when deciding how much to deposit into the Health Care Reimbursement Account.

Consider how much you have spent in the past year for expenses not covered by a health benefit plan. Also, consider the medical plan option in which you will enroll. If your option contains an annual deductible and coinsurance feature, direct a portion of your earning into the Reimbursement Account so you can be reimbursed for these expenses with tax-free dollars.

3. What if I join both the Health Care and Dependent Care Reimbursement Accounts and discover that I have underestimated the sum of dependent day care expenses I will incur? Can I submit day care claims and be reimbursed with funds from my Health Care Reimbursement Account?

No. The Health Care and Dependent Care Accounts are two distinct accounts. Therefore, the funds in the Reimbursement Accounts must be kept separate. In other words, only eligible health care expenses may be reimbursed with funds you have deposited into the Health Care Reimbursement Account and only eligible dependent care expenses may be reimbursed with funds deposited into the Dependent Care Reimbursement Account.

4. What if I do not claim all the funds I have deposited into the Health Care Reimbursement Account or the Dependent Care Reimbursement Account?

We encourage all employees to conservatively elect how much to deposit into the Health Care and Dependent Care Reimbursement Accounts because the IRS requires that money in the Reimbursement Accounts not used for eligible expenses incurred in that same year be forfeited. This is known as the **"use it or lose it"** rule.

This may sound intimidating, but do not let it keep you from participating in the Reimbursement Accounts. Remember that the risk of forfeiture can be reduced significantly. Consider, for example, that many out-of-pocket healthcare and dependent care expenses are predictable. Dependent care expenses can be budgeted ahead of time. And don't overlook commonly incurred and unreimbursed health care expenses, such as annual plan deductibles, coinsurance features, routine physical exams, monthly prescriptions, etc.

5. Because the Health Care and Dependent Care Reimbursement Accounts reduce my earnings and allow me to use tax-free dollars to pay for certain expenses, will my Social Security Benefits be affected when I retire.

If your reduced earnings are less than the annual Social Security earnings maximum, your future Social Security benefits may be reduced. However, the reduction is generally minimal.



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QUESTIONS & ANSWERS

6. Once I join Health Care or Dependent Care Reimbursement Accounts, will I be able to change how much of my income is redirected to the Reimbursement Accounts?

Each year you decide if you want to participate in one or both of the Reimbursement Accounts for the following year. If so, you decide how much to contribute to each Reimbursement Account. You cannot stop, start or change this decision during the year unless a change in your family status occurs, as defined by the IRS.

Family status changes are:

- marriage or divorce
- birth or adoption of a child
- termination of employment
- death of an eligible dependent

7. I currently take a credit on my income tax statement for the dependent care expenses that I incur. Which is more advantageous; the Dependent Care Tax Credit or the Dependent Care Reimbursement Account?

Currently, the Dependent Care Reimbursement Account has better tax advantages for those with \$25,000 or more in joint income, while the IRS tax credit is better for those with less than \$25,000 in joint income. This is a general rule only.

Consult your tax preparer for information on your own circumstances.

8. Can I use both the Dependent Care Reimbursement Account and the Dependent Care Tax Credit?

Yes. However, your tax credit must be reduced by the amount you contributed to the Reimbursement Account.

9. How do I file for the reimbursement and how often will reimbursement checks be issued

To receive reimbursement of eligible expenses from your Health Care or Dependent Care Reimbursement Account, you may either use your flex-convenience card at your providers office or pharmacy, or you may submit a claim form with a bill and/or receipt directly to HRPro. Manual claims will be processed on weekly basis. Claim forms for Health Care and Dependent Care reimbursement requests are available online at www.hrpro.com. If you have any questions, please contact Customer Service at (248) 543-2644 or by fax at (248) 543-2296.

10. Is there a deadline for filing Health Care and Dependent Care Reimbursement claims

Yes. You may file claims incurred in the current plan year as late as your run-out period (please see your Summary Plan Description).

11. If I deposit funds into a Health Care Reimbursement Account and then terminate my employment, will I still have access to the money I have deposited but not yet claimed?

Yes. You will be able to submit and be reimbursed for claims incurred prior to your termination date. These same rules apply to the Dependent Care Reimbursement Account.