

## **FSA QUESTIONS AND ANSWERS:**

**Q:** What is an FSA?

An FSA is a special account that lets you set aside money for eligible health care or dependent care expenses. The money you put into your FSA is taken out of your before-tax paycheck. That means you'll enjoy a tax savings. You can use the account throughout the year to get reimbursed for eligible health care and dependent care expenses.

**Q:** How much can I contribute?

You can set aside up to \$2,750 per year in a Health Care FSA to reimburse eligible medical, dental and vision expenses that aren't covered by your medical plan (including copays, coinsurance, deductibles and eligible over-the-counter items).

You can set aside up to \$5,000 per year in a Dependent Care FSA to reimburse expenses for child or adult day care services that you need because you work. If you file a separate tax return from your spouse, the maximum reimbursement is \$2,500 for each of you. You may want to talk to your tax advisor about the tax benefits of this plan.

**Q:** Do I have to re-enroll every year to participate in the FSA benefit?

Yes, you will have to re-enroll every year, and at that time you can either increase or decrease your before tax deferral amount. Your annual election will go into effect on January the 1st of each year.

**Q:** Am I required to participate in a DOD NAF medical or dental plan in order to participate in the Health Care FSA? No, you are not required to participate in a DOD NAF medical or dental plan to participate in the program.

**Q:** As an MCCS employee participating in the FSA program, will I be able to claim any medical expenses Incurred by my dependents:

Yes, the FSA can be used to reimburse your tax qualified dependents' eligible expenses, as well as your own.

**Q:** How often will I be reimbursed for expenses incurred?

PayFlex processes FSA claims as they are received, and issue FSA claim payments daily.

Effective 1-1-14 the Health Care FSA introduced the PayFlex MasterCard debit card for use in paying for eligible healthcare expenses. **Using the debit card will eliminate the need to file a claim – however, some debit card transactions may require that the charges be substantiated.** (PayFlex is a subsidiary of Aetna)

**Q:** How many debit cards will I receive after I've enrolled in the medical FSA plan?

All medical FSA participants will receive one debit card once enrolled. This card will be re-loaded each year you participant, up to 5 years of consecutive enrollment in the healthcare FSA. After the 5<sup>th</sup> year the card will be re-issued, provided you are still a participant. You can go online and request additional cards if necessary. If you would like a second debit card for a covered family member with a name different from your own, you will need to contact PayFlex for that request at 800-416-7053.

**Q:** When can I use my FSA debit card?

You can use your debit card for all eligible healthcare expenses, such as office visit copayments, prescriptions, deductibles, eligible OTC items etc. A list of eligible expenses can be found in the FSA handbook and on IRS.gov.

**Q:** Can I use my FSA debit card for dependent care expenses?

No, the debit card can't be used for dependent care expenses.

**Q:** When I'm getting a prescription at the pharmacy, can I use my FSA debit card to buy other things like a candy bar, shampoo, and magazine, too?

No, your debit card will process only the price of the prescription when you swipe it and the amount due for the non-FSA eligible items will show as a balance you owe for those items separately. Your receipt from the pharmacy should detail the eligible FSA expenses on the amount you charged to your debit card.

**Q:** I am an OCONUS employee so I live overseas but I have elected to participate in the medical FSA plan. Will the debit card work in the country I live in?

It depends. FSA Debit cards are limited to specific merchant category codes for healthcare only. Other countries don't use IAS restricted coding therefore cards should not work at overseas pharmacies. PayFlex has found that medical services on the card only work in some countries. If it does work for you in your country, you will need to substantiate the claim as it is not automatically filed with your FSA.

**Q:** What is substantiation?

Substantiation is the requirement for you to submit documentation that charges paid for with your debit card are eligible expenses. Documentation should include itemized invoice, participants name, date of service, provider/merchant name, service/item received, amount paid by insurance, amount you owe etc. – just register receipts may not include all the required information and may not satisfy the requirement for substantiation. Review the FSA handbook or contact PayFlex directly for additional information. EOBs from your insurance are one of the best ways to substantiate a claim.

**Q:** What happens if I don't submit documentation to substantiate a claim?

You will be notified by PayFlex of the implications of not providing substantiation (within 28 days after the first statement). Your debit card will be frozen after 56 days if you fail to submit substantiation.

Once it is received your card will be reactivated. If you never submit your substantiation, the charges will be considered taxable and will be included on your tax form (W2) at the end of the next plan year. All substantiation must be received no later than February 15<sup>th</sup> following the end of the plan year to avoid being deemed a taxable distribution and included on your W2.

**Q:** How do I substantiate a claim or file a claim?

Claims can be substantiated easily on line via the member portal on PayFlex.com; via mobile app (Android, iPhone, Blackberry devices) or fax or mail.

- Fax 888-238-3539 (same number for overseas)
- Mail: PayFlex Systems USA Inc  
P.O. Box 4000  
Richmond, KY 40476-4000
- Using the smartphone app you can file a claim by taking a photo of the detailed receipt and uploading the photo to file a claim.

**Q:** What happens if I lose my FSA debit card?

Just like any other debit or credit card, you will need to report the lost/stolen card immediately and a new card will be issued.

**Q:** Can I make changes to my FSA elections throughout the year?

No, the IRS requires that your FSA elections stay in effect throughout the full Plan year. Once made, you can't change your election during the year unless you experience a "qualified family status change". If you do have a qualified family status change, and you'd like to make changes to your FSA elections, you must do so within 31 days of the event.

**Q:** I am the dependent of an Active Duty military person, and I work for MCCA. We have orders to leave, and I am currently participating in the FSA program. Because of this sudden change of duty station, will I be returned any money that I haven't used in FSA or will I lose it?

This is considered a termination, therefore, an employee participating in the FSA program who has military orders to leave will not be returned any unused money. The money in the FSA account will be forfeited. However, even after you terminate you can submit claims for reimbursement of eligible expenses that were incurred prior to your termination, provided you remained enrolled.

**Q:** I have a foreign day care provider. Will Aetna still reimburse me for expenses incurred while using this day care provider although she doesn't have a social security number or Tax I.D. Number?

The Tax I.D.# for a foreign day care provider is not required by Aetna to pay a claim, however, under IRS regulations, you must show due diligence that you tried to get it from the provider. You will need to submit your invoice from the day care provider translated into English before it can be processed.

**Q:** If I didn't use all the money allotted in my HC or DC FSA account during the year, can I get the money refunded to me?

No, under the current tax rules, money can't be refunded to the participant. Expenses must be incurred by the end of the plan year (Dec 31<sup>st</sup>) or by the date of termination of employment (if applicable and before the end of the plan year), or the date of APF portability (if applicable and before the end of the Plan year). Any money not requested for reimbursement of eligible expenses after February 15<sup>th</sup> of the following year will be forfeited by you (except the eligible "up to" \$500 in unreimbursed medical FSA as described below).

**Q:** Where can I find the "use it or lose it" rule?

The answer is located in several sections of the Code, Section 125 of the Internal Revenue Code (IRC) (26 CFR 1.125). If you were able to get unused amounts out of your FSA you would be receiving deferred compensation which is expressly prohibited by Section 125.

**Q:** What happens to the money I don't use at the end of the year?

Unused Health Care FSA funds up to \$500 may be carried over from year to year as long as you are still in the plan as of the last day of the plan year.

**Q:** What happens to my carryover amount if I didn't enroll in a health care account Health Care FSA for the upcoming plan year?

If you did not re-enroll in a Health Care FSA you can still carry over up to \$500 in unused funds to the next plan year, as long as you're an active eligible employee on 12/31/2019. This means you can use your carryover dollars to pay for your eligible expenses in the next plan year. 2019 rollover amounts can be used for expenses incurred through 12/31/20. This includes using your PayFlex debit card. If the rollover funds are not used before 12/31/2020, they will be forfeited.

**Q:** What if I have more than \$500 in unused funds at the end of the plan year?

If you have more than \$500 in unused funds in your Health Care FSA at the end of the plan year, you have until the end of your plan's run out period, 02/15/2020, to submit claims for eligible expenses incurred between 01/01/2019 and 12/31/2019. These claims would reduce the amount of your unused funds and still let you carry over up to \$500 into the next plan year.

For example, if you have \$750 in unused funds on 12/31/2019 and you submit \$250 in claims by the end of your run out period, you'll carry over the remaining \$500 into the next plan year. If you don't have any claims to submit, you will lose \$250 and carry over the remaining \$500.

**Q:** Does the amount I carry over change the amount I can contribute to a Health Care FSA?

The amount you carry over does not change the amount you can contribute to a Health Care FSA. If you carry over funds to the next plan year, you can still contribute up to \$2,750 to your Health Care FSA.

**Q:** Does the carryover apply to Dependent Care FSA?

No, the carryover doesn't apply to a Dependent Care FSA. Any funds left in your account after the end of your run out period will be forfeited. Your run out period ends on 02/15/2020.

**Q:** If an employee leaves a NAF job and accepts a GS position after 6 months in the FSA, will they still be able to use the unused FSA funds that were withheld while in the NAF plan or are they forfeited?

They can use whatever balance they have in the account, so long as the expenses were incurred while they were still a NAF employee. They have until February 15<sup>th</sup> of the following year to submit the claim. Any expenses incurred after the NAF termination date will not be reimbursed. FSA plans are not portable from NAF to APF or from APF to NAF.

**Q:** If any employee signs up for the FSA medical plan and spends all the allocated funds up front (has not made the total contributions to the FSA) and then terminates employment, will MCCS need to be reimbursed for the expenses they already incurred?

No, that is the potential risk to the employer. This risk is mitigated when/if participants "forfeit" money at the end of the year that they fail to use. The Plan keeps all forfeited funds.

**Q:** If an employee elects to contribute to the dependent care FSA for child care and mid-year decides to use that account for medical expenses – can the employee do that or are there two separate accounts of money?

No, the funds can't be comingled, or transferred. They are two separate plans. It's important for participants to use the FSA deferral calculator tool to determine what their fund allocation should be for each type of account.

**Q:** If an employee has a grandchild that lives with him and the grandchild has a different last name, can the employee submit receipts for the grandchild's medical expenses even though the employee does not claim the grandchild for tax purposes?

No, the only health care or childcare expenses that can be reimbursed are those paid for legitimate dependents – for those children that the employee has full financial responsibility for, even if it's just guardianship it has to be legal guardianship.

**Q:** Can I claim my dependent credit on my taxes if I use the Dependent Care FSA?

You'll need to check with your tax advisor on questions pertaining to allowable tax deductions.

**Q:** I joined a health club on my doctor's orders. He has written it on his prescription pad for me to use for tax purposes. How do I go about claiming the membership fee with my FSA for reimbursement?

You must obtain a prescription from your physician, with a diagnosis code and medical reason why you should participate in a health club. Once you have this, you must submit to PayFlex along with the reimbursement claim form for consideration.

**Q:** I have been undergoing orthodontic treatment this year and expect to be finished sometime in the next year, with the final payment on the treatment in the next year. How do I go about applying these last payments to my FSA?

Simply attach the receipts (detailed receipts/EOBs) for any orthodontic treatments rendered within the same plan year for reimbursement, by using the appropriate claim form. As long as the dates of treatment are within the plan year, you should be reimbursed for those expenses, provided your FSA account balance is sufficient.