A Flexible Spending Account (FSA), also known as a Section 125 Flexible Benefit Plan or Cafeteria Plan, is a voluntary, tax-free way for employees to save for qualified medical, dental, vision or dependent care expenses during a plan year. Employees save between 25% and 50%, depending on their tax bracket.

Three Ways to Save!
- Premiums for employer-sponsored medical, dental, vision, etc. are automatically withheld from pay on a pre-tax basis. (No reimbursement required.)
- Reimbursement of out-of-pocket medical, dental and vision expenses not paid by insurance.
- Reimbursement of work-related dependent care expenses for children under age 13 and/or older children or adults who are incapable of self-care.

New for 2013
The recent Health Care Reform law mandates that employees cannot contribute more than $2,500 to a Health or Limited Purpose FSA for plan years beginning January 1, 2013. Prior to this time the maximum Health or Limited Purpose FSA election was determined by the employer.

The $2,500 limit applies on an individual level, not a household level, so married couples can each elect up to $2,500 in their respective Health or Limited Purpose FSAs.

The Dependent Care FSA limit remains the same at $5,000 per household.

How an FSA Works
Prior to the plan year, employees elect how much they would like to have taken out of their paycheck on a pre-tax basis. ‘Pre-tax’ means before state, federal, Social Security and Medicare taxes are applied. As a result, savings are somewhere between 25% and 50%, depending on tax bracket.

Contributions to FSAs are deducted from each payroll during the plan year. The amount of contribution to FSAs should be carefully considered, as unused amounts are forfeited at the end of the plan year.

As eligible expenses are incurred, employees submit claims to Alliance Benefit Group for reimbursement. Alliance Benefit Group is required to “substantiate” each claim by reviewing receipts, explanation of benefits and claim forms to ensure all information meets applicable regulations. Alliance Benefit Group reimburses employees directly by check or direct deposit.

The Health FSA causes an employee and their spouse to be ineligible to contribute to a Health Savings Account, or HSA. However, the Limited Use FSA, which reimburses only dental and vision expenses, does not impact HSA-eligibility.
Important Facts About FSAs

- If an employee or their spouse is contributing to an HSA they can elect the Limited Purpose FSA for dental and vision expenses but cannot elect the traditional Health FSA.
- If an employee does not spend their election they forfeit it at the end of the plan year.
- New elections for Health, Limited Purpose and Dependent Care FSA are required each plan year.
- Elections are irrevocable during the plan year unless there is a change in family status.
- Spouses and all tax dependents are eligible for reimbursement from the FSA.

Dependent Care FSA Expenses

◊ What does employment-related mean?

Expenses reimbursed by a Dependent Care Reimbursement Account must be incurred in order to allow the participant and, if applicable, the spouse to be actively and gainfully employed. This means the participant must only claim expenses incurred while they are actually at work, excluding expenses which might be incurred while the participant is on a leave of absence, on vacation or is out of work ill.

However, temporary absences from work for matters such as illness or vacation can be disregarded if the participant is required to pay for dependent care expenses on a weekly or longer basis. Dependent care expenses incurred during a typical leave of absence (paid or unpaid) are non-reimbursable.

The following employment-related expenses are eligible for reimbursement by a Dependent Care Reimbursement Account:

- Before/After-school care
- Day Camp
- Daycare Center
- Elder Care
- Nanny
- Preschool/Nursery school
- Registration fee (to obtain care)
- Sick-child facility

Health and Limited Purpose FSA Expenses

The Health and Limited Purpose FSA covers expenses that are necessary to treat or alleviate a physical or mental defect or illness.

◊ Dual purpose expenses

Some expenses may be considered cosmetic or general-use but also serve a medical purpose. If a doctor recommends a service / item that would not normally be considered “medically necessary” to treat or alleviate a specific, diagnosable medical condition, it is considered a dual-purpose expense.

A written statement from the physician must accompany these expenses. This statement must explain what the condition is, what service / item is recommended and how it will alleviate this condition.
What to submit with your claim

Supporting documentation is required with all claims. Documentation should be itemized to show the date of service, what service is being claimed and the amount you are responsible for paying.

If the expense was covered by insurance, the Explanation of Benefits from your insurance carrier must be included with your claim.

Special rule for HSA owners

If you and/or your spouse is currently contributing to an HSA you are unable to use the Health FSA. Instead a Limited Purpose FSA that covers only dental and vision expenses is available.

Limited Purpose = (LP)

### Eligible Health FSA Expenses

<table>
<thead>
<tr>
<th>Eligible</th>
<th>Dual-Purpose Health FSA Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acupuncture</td>
<td>Fertility Treatment</td>
</tr>
<tr>
<td>Alcoholism Treatment</td>
<td>Flu Shots</td>
</tr>
<tr>
<td>Ambulance</td>
<td>Glucose Monitoring Devices</td>
</tr>
<tr>
<td>Artificial Limbs / Teeth (LP)</td>
<td>Guide Dog (LP)</td>
</tr>
<tr>
<td>Bandages</td>
<td>Hearing Aids</td>
</tr>
<tr>
<td>Birth Control Pils</td>
<td>Home Care</td>
</tr>
<tr>
<td>Blood Pressure Monitoring Devices</td>
<td>Hormone Replacement Therapy</td>
</tr>
<tr>
<td>Body Scan</td>
<td>Hospital Services</td>
</tr>
<tr>
<td>Breast Pumps</td>
<td>Immunizations</td>
</tr>
<tr>
<td>Chelation (EDTA) Therapy</td>
<td>Inclinator</td>
</tr>
<tr>
<td>Chiropractors</td>
<td>Insulin</td>
</tr>
<tr>
<td>Circumcision</td>
<td>Laboratory Fees</td>
</tr>
<tr>
<td>Copays / Deductibles</td>
<td>Laser Assistance Supplies</td>
</tr>
<tr>
<td>Contact Lenses / Related Material (LP)</td>
<td>Laser Eye Surgery (LP)</td>
</tr>
<tr>
<td>Counseling (excludes marriage)</td>
<td>Learning Disability</td>
</tr>
<tr>
<td>Crutches</td>
<td>Medical Records Charge</td>
</tr>
<tr>
<td>Dental Treatment (LP)</td>
<td>Medical Services</td>
</tr>
<tr>
<td>Dentures (LP)</td>
<td>Nursing Services</td>
</tr>
<tr>
<td>Diabetic Supplies</td>
<td>Obstetrical Expenses</td>
</tr>
<tr>
<td>Diagnostic Services</td>
<td>Occlusal Guards (LP)</td>
</tr>
<tr>
<td>Drug Treatment</td>
<td>Operations</td>
</tr>
<tr>
<td>Egg Donor Fees</td>
<td>Optometrist (LP)</td>
</tr>
<tr>
<td>Eye Exams / Glasses (LP)</td>
<td>Orthodontia (LP)</td>
</tr>
<tr>
<td>Osteopath</td>
<td>Oxygen</td>
</tr>
<tr>
<td>Physical Exams</td>
<td>Physical Therapy</td>
</tr>
<tr>
<td>Prescription Drugs</td>
<td>Prosthesis</td>
</tr>
<tr>
<td>Psychiatric Care</td>
<td>Psychoanalysis</td>
</tr>
<tr>
<td>Psychologist</td>
<td>Reading Glasses (LP)</td>
</tr>
<tr>
<td>Screening Tests</td>
<td>Sleep Deprivation Treatment</td>
</tr>
<tr>
<td>Sterilization Procedures</td>
<td>Supplies for Medical Condition</td>
</tr>
<tr>
<td>Surgery</td>
<td>Therapy</td>
</tr>
<tr>
<td>Transplants</td>
<td>Vaccines</td>
</tr>
<tr>
<td>Vasectomy</td>
<td>Vision Correction Procedures (LP)</td>
</tr>
<tr>
<td>Vision Correction Procedures</td>
<td>Wheelchair</td>
</tr>
<tr>
<td>Walking Sticks</td>
<td>X-Ray Fees</td>
</tr>
</tbody>
</table>

### Dual-Purpose Health FSA Expenses

<table>
<thead>
<tr>
<th>Dual-Purpose</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Air Purifier</td>
<td>Electric Toothbrush (LP)</td>
</tr>
<tr>
<td>Acne Treatment</td>
<td>Exercise Equipment / Programs</td>
</tr>
<tr>
<td>Capital Expenses</td>
<td>Glucosamine</td>
</tr>
<tr>
<td>Chondroitin</td>
<td>Health Club Dues</td>
</tr>
<tr>
<td>Cryogenic Storage Fees</td>
<td>Language Training (for disability)</td>
</tr>
<tr>
<td>Dietary Supplements</td>
<td>Massage Therapy</td>
</tr>
<tr>
<td>Ear Plugs</td>
<td>Mattress</td>
</tr>
<tr>
<td>Orthopedic Inserts</td>
<td>Nutritional Supplements</td>
</tr>
<tr>
<td>Over-the-Counter Drugs (prescribed)</td>
<td>Prescription Weight Loss Drugs</td>
</tr>
<tr>
<td>Special Foods</td>
<td>Sunscreen</td>
</tr>
<tr>
<td>Treadmill</td>
<td>Varicose Veins Treatment</td>
</tr>
<tr>
<td>Weight Loss Programs</td>
<td>X-Ray Fees</td>
</tr>
</tbody>
</table>
Ineligible Health FSA Expenses

Appearance Improvements
Baby-Sitting / Child Care
Birth Classes
COBRA Premiums
Controlled Substances
Cosmetics
Cosmetic Procedures
Chemical Peels
Dancing Lessons
Diapers
DNA Collection/Storage
Electrolysis
Face Lifts
Funeral Expenses
Genetic Testing
Hair Removal
Household Help
Illegal Operations
Insurance Premiums
Long-Term Care
Maternity Clothes
Medicare Premiums
Over-the-Counter Drugs
Personal Use Items
Pre-Payment for Services
Retin-A
Rogaine
Safety Glasses
Student Health Fee
Sunglass Clips
Tanning Salons / Equipment
Teeth Whitening

Ineligible Over-the-Counter Drugs (unless prescribed)

Prescribed OTC drugs will only be reimbursed by ABG if dispensed by the pharmacy. Rx receipt required.

Acid Controllers
Allergy Medicine
Anti-Diarrheals
Anti-Gas Treatments
Antiseptic Cream / Wash

Cold, Cough & Flu Medicines
Decongestants
Expectorants
Digestive Aids
Laxatives

Ointments / Rash Creams
Pain Relievers / Fever Reducer
Respiratory Treatments
Sleep Aids
Stomach Remedies

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Face Lifts
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Respiratory Treatments
Sleep Aids
Stomach Remedies

Ineligible Over-the-Counter Supplies

Bandages
Birth Control Products
Blood Pressure Monitoring Kits
Braces / Supports
Canes / Walkers
Cold / Hot Packs
Compression Stockings
Contact Lens Solution
Corn / Callus Pads

Crutches
Denture Supplies
Diabetic Supplies
Diagnostic Products
External Catheters
First Aid Supplies
Hearing Aid Batteries
Hot / Cold Packs
Incontinence Supplies

Nebulizers
Ostomy Products
Oxygen Equipment
Pregnancy Test Kits
Reading Glasses
Syringes
Thermometers
Wheelchair & Accessories

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